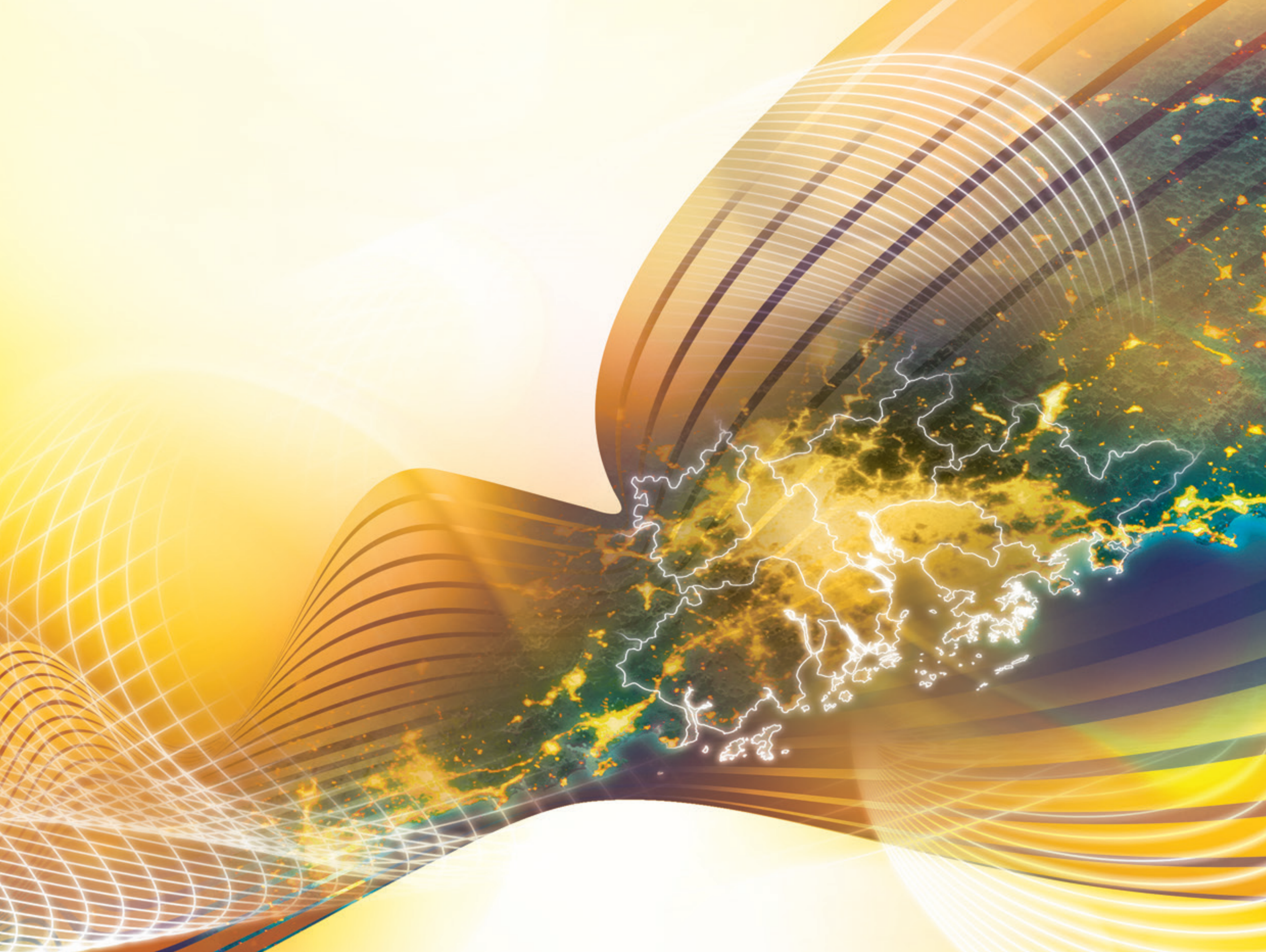
Wan Kei Group Holdings Limited
宏基集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1718



Annual Report

2018

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CORPORATION INFORMATION

DIRECTORS

Executive Directors
Mr. Lau Woon Si *(Chairman)*
Mr. Fong Hon Hung *(Chief Executive Officer)*
Mr. Chan Chi Ming Tony
Mr. Zhang Zhenyi
Mr. Chan Kwan
Mr. Yan Shuai

Independent Non-executive Directors
Mr. Lo Wa Kei Roy
Ms. Li Zhongye Cindy
Ms. Wang Qing
Mr. Leung Ka Fai Nelson

COMPANY SECRETARY

Ms. Wong Kit Ying

AUTHORISED REPRESENTATIVES

Mr. Chan Chi Ming Tony
Mr. Zhang Zhenyi

AUDIT COMMITTEE

Mr. Lo Wa Kei Roy *(Chairman)*
Ms. Li Zhongye Cindy
Ms. Wang Qing

REMUNERATION COMMITTEE

Ms. Li Zhongye Cindy *(Chairman)*
Mr. Chan Chi Ming Tony
Mr. Lo Wa Kei Roy

NOMINATION COMMITTEE

Mr. Lau Woon Si *(Chairman)*
Mr. Lo Wa Kei Roy
Ms. Li Zhongye Cindy

LEGAL COMPLIANCE COMMITTEE

Mr. Lau Woon Si *(Chairman)*
Mr. Chan Chi Ming Tony
Mr. Zhang Zhenyi

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1802, 18th Floor
Capital Centre
No. 151 Gloucester Road, Wanchai
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

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

INDEPENDENT AUDITORS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Hang Seng Bank Limited
Bank of Communications Co., Ltd.
DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited

STOCK CODE

01718

COMPANY WEBSITE

www.hkex1718.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Wan Kei Group Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I would like present to the shareholders of the Company (the "**Shareholders**"), the annual report of the Group for the year ended 31 March 2018 (the "**Reporting Period**" or "**YR2018**").

REVIEW

During the Reporting Period, the Group recorded a slight decrease in revenue of approximately HK$9,294,000 or 3.9% to approximately HK$226,226,000 compared with the year ended 31 March 2017 (the "**YR2017**"). The decline in revenue was due to the decrease in revenue of ground investigation services during the Reporting Period. In addition, the approval process of government projects from the Legislative Council remained slow and the intense competition of foundation industry business also affected the growth and profitability of the Group. As such, the Group recorded a net loss for the Reporting Period.

In view of the slow down in the growth of the overall foundation industry in Hong Kong, the Company intends to seek opportunities to expand into investment sector, financial service business as well as money lending business in the coming years so as to broaden the income stream of the Group. We obtained a money lender's license during the Reporting Period and are in the course of applying for the relevant licenses from the Securities and Futures Commission. The Group aims to provide a comprehensive range of financial services in Hong Kong and Asia. This segment has not generated any revenue during the Reporting Period.

OUTLOOK

In order to maintain a stable and sustainable development of the Company's existing businesses as well as expanding the Company at the same time, the Company will leverage its industrial experience and the resources advantage of its existing talent team to seek cooperation and investment opportunities with high-quality companies in emerging industry of mainland China. As a result, our business will be more diversified and internationalized.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my deepest gratitude to our Shareholders and business partners for their continued support, and to our management and staff members for their commitment and contribution to the growth of the Group.

Wan Kei Group Holdings Limited
Lau Woon Si
Chairman

Hong Kong, 15 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing: (i) foundation construction; and (ii) ground investigation services in Hong Kong.

Foundation Construction

During the Reporting Period, the foundation construction undertaken by the Group mainly consisted of the construction of socketed H-piles, mini piles, soldier piles, pipe piles and king posts. The Group undertook foundation construction projects in both the public sectors and private sectors. Income from foundation works contributed approximately 84.4% of the Group's total revenue during the Reporting Period (YR2017: approximately 76.8%).

Ground Investigation Services

The Group also acted as a contractor to provide ground investigation services and it undertook ground investigation services in both public and private sectors in Hong Kong during the Reporting Period. Income from ground investigation services contributed approximately 15.6% of the total revenue of the Group during the Reporting Period (YR2017: approximately 23.2%).

Financial Services

The Group obtained a money lender's license during the Reporting Period and is in the course of applying for the relevant licenses from the Securities and Futures Commission to conduct certain financial services businesses. The Group did not record any revenue from this segment during the Reporting Period.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period decreased by approximately HK$9,294,000, or approximately 3.9%, from approximately HK$235,520,000 for the year ended 31 March 2017 to approximately HK$226,226,000 for the Reporting Period, which was primarily due to:

Foundation Construction

The revenue from undertaking foundation construction projects increased by approximately HK$10,169,000, or approximately 5.6%, from approximately HK$180,769,000 for the year ended 31 March 2017 to approximately HK$190,938,000 for the Reporting Period. This was primarily due to the increase of the number of projects tendered by the Group during the Reporting Period.

Ground Investigation Services

The revenue from ground investigation services decreased by approximately HK$19,463,000, or approximately 35.5%, from approximately HK$54,751,000 for the year ended 31 March 2017 to approximately HK$35,288,000 for the Reporting Period. This was primarily due to the absence of sizable projects tendered by the Group during the Reporting Period.

Financial Services

The Group has obtained a money lender's license during the Reporting Period and is in the course of applying for the relevant licenses from the Securities and Futures Commission to conduct certain financial services businesses. This segment had not generated any revenue during the Reporting Period.

Direct Costs

The Group's direct costs amounted to approximately HK$253,873,000 for the Reporting Period, representing an increase of approximately 29.8% from approximately HK$195,539,000 for the year ended 31 March 2017.

Foundation Construction

The direct costs for the foundation construction mainly consisted of construction material costs, subcontracting fees and wages of workers. The direct costs increased by approximately 44.5%, from approximately HK$156,683,000 for the year ended 31 March 2017 to approximately HK$226,376,000 for the Reporting Period. This was due to the continuous decline in the bidding prices of the projects won by the Group, and a sharp increase in the price of certain construction materials, especially steel and diesel, during the Reporting Period, in which the price of such materials increased by over 10% as compared to that of the year ended 31 March 2017. Despite the sharp increase in the direct costs for the projects, the Group had tendered more projects in an attempt to maintain its revenue in a level which could be comparable with that of YR2017. Nevertheless, as the direct costs for the foundation construction continued to grow during the Reporting Period, the increase in the direct costs outweighed the increase in the revenue generated from the foundation construction segment.

Ground Investigation Services

The direct costs for the ground investigation services mainly included the subcontracting fees and the wages of workers. The decrease in direct costs by approximately 29.2%, from approximately HK$38,856,000 for the year ended 31 March 2017 to approximately HK$27,498,000 for the Reporting Period, was primarily due to the decrease in revenue of the ground investigation services by approximately 35.5%, which resulted from the absence of sizable projects tendered by the Group during the Reporting Period.

Gross (Loss)/Profit and Gross (Loss)/Profit Margin

The gross profit decreased from approximately HK$39,980,000 for the year ended 31 March 2017 to the gross loss of approximately HK$27,648,000 for the Reporting Period. The Group's overall gross loss margin during the Reporting Period was approximately 12.2% (YR2017: gross profit margin amounted to approximately 17.0%).

Gross loss of the Group's foundation construction segment was approximately HK$35,438,000 for the Reporting Period, representing a decrease of approximately HK$59,523,000 from approximately HK$24,085,000 gross profit as compared to the year ended 31 March 2017. Gross loss margin of the foundation construction segment amounted to approximately 18.6% (YR2017: gross profit margin of approximately 13.3%).

Gross profit of the Group's ground investigation services segment was approximately HK$7,791,000 for the Reporting Period, representing a decrease of 51.0% from approximately HK$15,895,000 as compared to the year ended 31 March 2017. Gross profit margin of the ground investigation services segment slightly decreased from 29.0% for the year ended 31 March 2017 to approximately 22.1% for the Reporting Period.

The decline in gross profit margin was mainly due to (i) a decrease in gross profit margin of the newly tendered foundation works projects of the Group during the Reporting Period as a result of the lower bidding prices on the new tenders; and (ii) an increase in the price of construction materials which resulted in the increase in direct costs.

Other Revenue

The other revenue of the Group increased by approximately HK$3,562,000, or approximately 130.3%, from approximately HK$2,733,000 for the year ended 31 March 2017 to approximately HK$6,295,000 for the Reporting Period. The increase was mainly due to (i) the increase of rental income from leasing of machinery to independent third parties of the Group (YR2018: approximately HK$2,682,000; YR2017: approximately HK$474,000); and (ii) the increase of bank interest income (YR2018: approximately HK$2,019,000; YR2017: approximately HK$730,000) as a result of an increase in time deposits during the Reporting Period.

Other Net Income

The other net income of the Group increased by approximately HK$3,636,000, from approximately HK$471,000 for the year ended 31 March 2017 to approximately HK$4,107,000 for the Reporting Period. The increase was mainly due to the increase of gain on disposal of equipment (YR2018: gain of approximately HK$3,013,000; YR2017: loss of approximately HK$6,000) and the increase of amortised deferred income arising from the sales and leaseback transactions of certain equipment during the Reporting Period (YR2018: approximately HK$1,126,000; YR2017: approximately HK$469,000).

General and administrative expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK$45,958,000 (YR2017: approximately HK$40,626,000), representing an increase of approximately 13.1% as compared to that for the year ended 31 March 2017. The increase was mainly attributable to the increase of the general operating expenses (mainly included salaries, rental expenses and other administrative expenses) for the financial service segment during the Reporting Period (YR2018: approximately HK$8,423,000; YR2017: approximately HK$2,554,000).

Finance Costs

The finance costs increased by approximately HK$4,424,000, from approximately HK$2,708,000 for the year ended 31 March 2017 to approximately HK$7,132,000 for the Reporting Period. The increase was mainly due to the increase in the interest expense of borrowing from a related company, Bright Dynasty Trading Limited (YR2018: approximately HK$4,500,000; YR2017: approximately HK$2,288,000) and interest expense of borrowing from a Director (YR2018: approximately HK$2,096,000; YR2017: approximately HK$168,000).

Income Tax

The tax credit for the Reporting Period was approximately HK$89,000 (YR2017: tax expense of approximately HK$861,000). The change was mainly due to the decrease in assessable profits of Hong Kong Profits Tax and the change of deferred tax for the Reporting Period due to the reasons mentioned above.

LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

For the Reporting Period, the Group recorded a net loss of approximately HK$70,247,000, as compared with the net loss of approximately HK$1,011,000 for the year ended 31 March 2017. The decrease was mainly attributable to the decrease in gross profit margin as previously discussed and the expenses incurred for the development of financial services as a new business segment of the Group.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend to the Shareholders of the Company for the Reporting Period (YR2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The Directors estimate that the growth of the overall foundation industry in Hong Kong will continue to slow down in the coming years. The Directors are of the view that the approval process of government projects from the Legislative Council is expected to be slow, which will lead to a decrease in the number of available Government project tenders in the coming years. In addition, the intense competition has continued to impact the foundation industry in Hong Kong, which will in turn affect the growth and profitability of the Group. Nevertheless, the Directors are confident that with the Group's reputation in the foundation industry and experienced management team, the Group is in a well position to compete with its competitors.

In order to grasp the opportunity of the economic growth of Guangdong, Hong Kong and Macau Bay Area and speed up the development of the business, the Group has obtained the money lender's license under the Money Lenders Ordinance in October 2017 and is in the course of applying for the securities business licenses. It aims to provide a comprehensive range of financial services in Hong Kong and Asia. The Group will strive to maintain a balance between risk and return and make investment decisions based on the market situation.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing borrowings of the Group mainly consisted of finance leases, borrowing from a Director and borrowing from a related company. The above borrowings were incurred during the Reporting Period (YR2018: approximately HK$160,740,000; YR2017: approximately HK$124,346,000). All borrowings were denominated in Hong Kong Dollar. Except for finance leases, interest on other borrowings were charged at fixed rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary. As at 31 March 2018, the amount of unused banking facilities was HK$6,000,000. The aforesaid unused banking facilities were unsecured and the finance leases of the Group were secured by the Group's equipment with an aggregate net book value of approximately HK$11,467,000 (YR2017: approximately HK$14,667,000).

NET CURRENT ASSETS

As at 31 March 2018, the Group's net current assets amounted to approximately HK$301,161,000, which was approximately HK$56,459,000 lower than net current assets of approximately HK$357,620,000 as at 31 March 2017. The decrease was mainly due to the increase in operating costs for the Reporting Period. As at 31 March 2018, the Group's current liabilities amounted to approximately HK$210,592,000, representing an increase of approximately HK$20,176,000 from approximately HK$190,416,000 as at 31 March 2017. The increase was mainly due to (i) the borrowing from a Director during the Reporting Period, with the principal amount of HK$35,000,000, (ii) the interests incurred by the borrowings from a related company and a Director during the Reporting Period, with the amount of approximately HK$6,596,000, (iii) the decrease in payable for purchase of machinery of approximately HK$9,530,000 as compared to that as at 31 March 2017, and (iv) the decrease in trade payables of approximately HK$13,664,000 as compared to that as at 31 March 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group had cash and bank balances of approximately HK$415,137,000, representing an increase of approximately HK$2,790,000 (as at 31 March 2017: approximately HK$412,347,000), all of which were denominated in Hong Kong dollar.

MANAGEMENT DISCUSSION AND ANALYSIS

CASH FLOW

The net cash used by the Group in its operating activities amounted to approximately HK$36,076,000 during the Reporting Period, which was mainly used for the foundation construction and ground investigation services. Net cash generated from investing activities was approximately HK$9,547,000, and the net cash generated from financing activities was approximately HK$29,319,000, in which HK$35,000,000 arose from borrowings from a Director during the Reporting Period, net off the repayment of finance lease (YR2017: approximately HK$5,681,000).

The gearing ratio of the Group as at 31 March 2018 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 49.5% (as at 31 March 2017: approximately 31.5%).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy position of liquidity throughout the Reporting Period. The Group strives to reduce the exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

Since the Group mainly operates in Hong Kong and most of the revenue and transactions arising from its operations were settled in Hong Kong Dollar, and the Group's assets and liabilities are primarily denominated in Hong Kong Dollar, the Directors believe that the Group's risk in foreign exchange is insignificant and the Group will have sufficient foreign exchange to meet its foreign exchange requirements. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates; and it has not adopted any currency hedging policy or other hedging instruments during the Reporting Period.

CAPITAL STRUCTURE

The share capital of the Group only comprises of ordinary shares.

As at 31 March 2018, the Company's issued share capital was HK$9,600,000 (as at 31 March 2017: HK$9,600,000) and the number of its issued ordinary shares was 960,000,000 (as at 31 March 2017: 960,000,000) of HK$0.01 each.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Reporting Period, there were no significant investments, material acquisitions or disposal of subsidiaries and associated companies made by the Group.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and warehouses. The Group's operating lease commitments amounted to approximately HK$11,535,000 as at 31 March 2018 (as at 31 March 2017: approximately HK$5,842,000). As at 31 March 2018, the Group had no other capital commitments (as at 31 March 2017: Nil).

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 March 2018 and 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

There are no other significant events after the Reporting Period up to the date of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group had 123 full-time employees (as at 31 March 2017: 145 full-time employees).

The remuneration policy and packages of the Group's employees are periodically reviewed. Apart from mandatory provident fund and in-house training programmes, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance. The total remuneration cost incurred by the Group for the Reporting Period was approximately HK$70,677,000 as compared to approximately HK$68,531,000 for the year ended 31 March 2017.

PRINCIPAL RISKS AND UNCERTAINTIES

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

(i) The Group had a concentrated clientele base. Any loss for major customers or decrease in the number of projects with the top 5 customers of the Group may adversely affect the Group's operations and financial results.

(ii) The Group's past revenue and profit margin may not be an indicative of the Group's future revenue and profit margin. In particular, the Group's revenue is on project basis, which is non-recurrent in nature, and the Group may achieve lower-than expected revenue if it fails to maintain continuity of the Group's order book for its new projects.

(iii) The Group is dependent on its Board members and senior management staff, the departure of its staff may adversely affect the Group's business operations.

(iv) Failure to accurately estimate and control the costs of the Group's projects may adversely affect the Group's financial performance.

(v) Any delays or default of progress payments or retention monies by the customers may affect the Group's cash flow and may have adverse impact on the Group's financial results.

(vi) Failure to renew the Group's current registrations and licenses may adversely affect the Group's business operations. For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the prospectus of the Company dated 28 July 2015 (the "Prospectus").

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

The Group's success also depends on the support from key stakeholders which comprise employees, customers and the suppliers.

Customers

For foundation construction, the principal customers are generally from the main contractors of construction projects in Hong Kong. For ground investigation services, the principal customers are generally from the employers of construction projects in Hong Kong. During the Reporting Period, the Directors consider that the Group did not rely on any single customer. The Group also maintains a long-term relationship with its customers, some of which have established more than 10 years of working relationship with the Group.

Suppliers and Subcontractors

During the Reporting Period, the suppliers of goods and services which were specific to the business of the Group and were acquired on a regular basis to enable the Group to continue to carry its business included (i) subcontractors engaged by the Group to perform the site works; (ii) materials and equipment suppliers to supply materials and equipments used in the site works; and (iii) suppliers of miscellaneous goods and services required for the Group's business operations. The Group maintains multiple suppliers and subcontractors to avoid the over-reliance on a few suppliers and subcontractors; and did not experience any material difficulties in sourcing materials from suppliers and assigning subcontractors during the Reporting Period. The Group did not have any significant disputes with any of its suppliers and subcontractors during the Reporting Period.

Employees

The Group recognised employees as valuable assets of the Group. During the Reporting Period, the Group has complied with the applicable labour laws and regulations and regularly reviewed the benefits of existing staff for improvement. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing an attractive remuneration package.

The Group determines the salary of its employees mainly based on each employee's qualification, relevant experience, position and seniority. The Group conducts annual review on salary increment, bonuses and promotions based on the performance of each employee.

The Group considers that the Group has maintained a good relationship with its employees. The Group has not experienced any strikes, work stoppages or labour disputes which affected its operations during the Reporting Period. The Directors also acknowledge that the management team and the employees have maintained a good relationship and co-operated well during the Reporting Period.

ENVIRONMENTAL POLICIES

The Group places an emphasis on environmental protection when undertaking its projects. The Group was awarded the ISO 14001:2015 (environmental management system). The current ISO 14001:2015 certificate is valid from 7 April 2018 to 29 April 2021. When preparing the tender documents, the Group will take into consideration the environmental protection requirements of potential customers as well as the relevant laws and regulations in relation to environmental protection. The Group's safety officers are responsible for ensuring that the Group satisfies the applicable laws and regulations requirements and identifying and reporting on environmental issues to our project management team.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operation are mainly carried out by the Company's subsidiaries in Hong Kong while the Company itself is a holding company. Our operations accordingly shall comply with the relevant laws and regulations in Hong Kong. During the Reporting Period and up to date of this annual report, there is no material non-compliance with the relevant prevailing laws and regulations by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments and capital assets up to the date of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

ISSUE OF SHARES FROM THE PLACING

On 29 November 2016, the Company entered into a placing agreement with Kingston Securities Limited (the "Placing Agent"), whereby the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, a maximum of 160,000,000 new ordinary shares of the Company of HK$0.01 each (the "Placing Shares") to not less than six placees which are independent third parties at a price of HK$0.86 per Placing Share (net placing price of HK$0.84 per placing share) (the "Placing"). The Placing was completed on 16 December 2016. The gross proceeds of HK$137,600,000 were received by the Company in accordance with the terms of the placing agreement. The net proceeds from the Placing, after deducting the Placing Agent's commission and other related expenses payable by the Company, amounted to approximately HK$134,000,000. The net proceeds from the Placing are intended to be used for developing a business regarding investment and financing services and for setting up a subsidiary with money lending license. As at 31 March 2018, we used the net proceeds from the Placing of approximately HK$14,757,000 (YR2017: HK$2,454,000) on the Group for the payment of related staff costs, engaging a consultant for the application for securities licenses, administration costs and office set up cost.

CORPORATE GOVERNANCE

The Company had complied with all applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the Reporting Period.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

Mr. Lau Woon Si（劉煥詩）, aged 81, is also the chairman of the Board (the "**Chairman**"). Mr. Lau is primarily responsible for the overall management and overseeing marketing and engineering work of the Group. He has over 41 years of experience in the construction industry. Mr. Lau was the founder of Wan Kei Geotechnical Engineering Company Limited ("**Wan Kei Engineering**"), which focuses on foundation construction in Hong Kong.

Mr. Fong Hon Hung（方漢鴻）, aged 60, is also the chief executive officer of our Group (the "**Chief Executive Officer**"). Mr. Fong has engaged in the foundation industry for more than 39 years and he is primarily responsible for the formulation of corporate strategic plans, the execution of daily management and administration of business and the operations of our Group. He is also the authorised signatory of Wan Kei Engineering under the register of specialist contractors (sub-register of foundation works category) maintained by the Buildings Department.

Mr. Fong has awarded a technician certificate in engineering surveying in November 1980, a certificate in civil engineering in November 1983, a higher certificate in civil engineering in November 1987 and the endorsement certificate in civil engineering project management in November 1998, which were all awarded by the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic). He also obtained the certificate in electronics with distinction from the Vocational Training Council and the BTEC National Certificate in engineering from Business & Technology Education Council in July 1993.

Mr. Fong has been the director of Wan Kei Engineering since July 1995. Prior to joining Wan Kei Engineering, he worked as the chairman and junior land surveyor in construction project at Mass Transit Railway Corporation Hong Kong from August 1978 to July 1984. He also worked as an assistant site agent at Chung Wah Machine Well Engineering Company Limited from 1984 to 1986, and as an assistant engineer of Shimizu Construction Co., Ltd. from November 1986 to November 1987 and as the project manager at Chung Wah Machine Well Engineering Company Limited from November 1987 to April 1995 and his last position was general manager. He is the director of Wan Kei Engineering and Wan Kei Machinery Company Limited ("**Wan Kei Machinery**").

Mr. Chan Chi Ming Tony（陳子明）, aged 50, graduated from Australian National University in 1989 with a bachelor's degree in Commerce (Major in Accounting). Mr. Chan is a member of the HKICPA and CPA Australia and has over 21 years' experience in the field of corporate financial management, business advisory, accounting and auditing. Mr. Chan was formerly a senior manager of an international accounting firm and is currently a non-executive director of Hua Xia Healthcare Holdings Limited (stock code: 8143) and an independent non-executive director of Theme International Holdings Limited (stock code: 990), the issued shares of which are listed on the Main Board or the GEM of the Stock Exchange. Mr. Chan has joined the Company since 25 November 2016.

Mr. Zhang Zhenyi（張振義）, aged 37, has over 13 years' experience in financial, risk and investment management. He now acts as an independent non-executive director, a member of each of the audit committee, remuneration committee and nomination committee of Carry Wealth Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 643). From August 2012 to December 2016, he was the chief financial officer of EACHWAY Fashion Group (Shenzhen) Limited*（藝之卉時尚集團（深圳）有限公司）. Prior to that, he served as the finance in charge and project in charge of an automobile group in the People's Republic of China (the "**PRC**") and a consulting firm listed on the Stock Exchange. Mr. Zhang obtained a master degree of business management*（工商管理碩士學位）from the University of Science and Technology Beijing in 2011. He also holds qualifications as a certified public accountant, senior international finance manager and senior accountant in the PRC. Mr. Zhang has joined the Company since 5 Jan 2018.

Mr. Chan Kwan（陳昆）, aged 30, obtained his bachelor's degree in Biomedical Science from University of Essex in June 2012 and bachelor's degree of laws from University of Leicester in July 2015. He is also a diamond graduate of Gemological Institute of America（美國寶石學院）. Mr. Chan has extensive experience in both assets management and commercial acquisition. He has been a non-executive director of CAQ Holdings Limited, a company listed on the Australia Stock Exchange with Listing Corporation Code of CAQ since November 2017. Mr. Chan also served as a legal and project director of China Cambodia International Special Economic Zone Co. Limited from October 2015 to February 2018. Mr. Chan has joined the Company since 13 March 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

Mr. Yan Shuai（嚴帥）, aged 30, obtained his bachelor's degree in financial management from Shanghai University of International Business and Economics（上海對外經貿大學）in 2009, bachelor's degree of business administration (majoring in financial services and administration) (long distance learning course) from Douglas College in 2009 and Master Degree in Science (majoring in Economics and Finance) from University of Durham in the United Kingdom in 2011. Mr. Yan also obtained a fund practice certificate*（中國證券投資基金業從業證書）issued by Asset Management Association of China（中國証券投資基金業協會）in February 2018. Mr. Yan has over 6 years of experience in the finance field. Mr. Yan has been a director of Links Network & Technology Co., Limited（上海淩脈網路科技股份有限公司）, a company listed on National Equities Exchange and Quotations (Stock code: 835718) since May 2017. He has also been a senior investment manager of Shenzhen Capital Group Co. Limited（深圳市創新投資集團）and Shanghai Chuangxin Investment Management Company Limited*（上海創新投資管理有限公司）since 2011, responsible for fund-raising and project financing. Mr. Yan has joined the Company since 13 March 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Wa Kei, Roy（盧華基）, aged 47, has over 24 years of experience in auditing, accounting and finance. Mr. Lo received a bachelor's degree of business administration from the University of Hong Kong in 1993 and a master's degree of professional accounting from the Hong Kong Polytechnic University in 2000. He is a certified public accountant, a fellow member of the Hong Kong Institute of Certified Public Accountants, fellow member of CPA Australia and an associate of the Institute of Chartered Accountants in England and Wales. Mr. Lo is a practising accountant in Hong Kong, and has become the managing partner of SHINEWING (HK) CPA Limited since 2014. Mr. Lo has been appointed as the independent non-executive director of each of the Hong Kong listed companies below, namely, Sun Hing Vision Group Holdings Limited (stock code: 125) since May 1999, China Zhongwang Holdings Limited (stock code: 1333) since February 2009, Sheen Tai Holdings Group Company Limited (stock code: 1335) since June 2012, China Oceanwide Holdings Limited (stock code: 715) since November 2014, Xinming China Holdings Limited (stock code: 2699) since June 2015 and Quam Limited (stock code: 952) since February 2017. Mr. Lo is also the member of the Shanghai Pudong New Area Committee of the Chinese People's Political Consultative Conference and the founding executive vice-president and council member of the Hong Kong Independent Non-Executive Director Association. Mr. Lo has joined the Company since 8 March 2017.

Ms. Li Zhongye, Cindy（李中曄*）, aged 49, has 20 years of experience in finance and information technology industry. She obtained a medical degree in Capital Medical University*（首都醫學院）in the People's Republic of China. She has been working as a consultant of Chengdu Yushuo Technology Company Ltd.*（成都魚説科技有限公司）since January 2017, a consultant of Chummy Global Limited since June 2016, the director of Sunny Education Inc（上海一起作業信息科技有限公司）since 2013 and the china chairperson and managing director of Covalis Capital LLP, a London based hedge fund, since 2012. Ms. Li has joined the Company since 8 March 2017.

Ms. Wang Qing（王晴）, aged 30, obtained her undergraduate degree, majoring in dance in Shandong Normal University（山東師範大學）in July 2010 in the People's Republic of China (the "**PRC**"). Between August 2010 and June 2013, Ms. Wang worked in Beijing Zhong Jing Law Firm（北京市中經律師事務所）in Beijing, the PRC with her last position as assistant to director（主任助理）. Since June 2013, Ms. Wang has worked in Beijing Beiqing Zhong Jing Investment Company Limited（北京北清中經投資有限公司）in Beijing, the PRC as office manager, general manager assistant and vice general manager. Ms. Wang has joined the Company since 20 December 2016.

Mr. Leung Ka Fai Nelson（梁嘉輝）, aged 41, has over 10 years of work experience in legal area. He has worked for various professional companies and specialised in intellectual property, cross border legal business and general company legal affairs. Mr. Leung currently serves as an assistant director in a department of a legal related service company. Mr. Leung graduated from China University of Political Science and Law in 2002 with a bachelor degree of law, majoring in economics law*（法學學士（經濟法專業））. Mr. Leung has joined the Company since 5 July 2017.

COMPANY SECRETARY

Ms. Wong Kit Ying（黃潔瑩）, joined the Company in January 2017. She serves as the company secretary from 5 January 2018 and has been finance manager of our group. Ms. Wong has over 7 years of extensive experience in the field of accounting, auditing and financial management. She holds a bachelor of accounting degree in the Edinburgh Napier University and is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Ms. Wong worked in Sheen Tai Holdings Group Company Limited (a company listed on the main board of the Stock Exchange, stock code: 1335) as a finance manager and several accounting firms.

* *For identification purpose only*

CORPORATE GOVERNANCE REPORT

The Board of Directors of Wan Kei Group Holdings Limited and its subsidiaries is committed to achieving and maintaining the highest standard of corporate governance. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate the business strategies and policies, and manage the associated risk through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the Shareholders of the Company.

The Company has complied with all the applicable code provisions in the Corporate Governance Code (the "**Code**") set out in Appendix 14 to the Listing Rules. The Company had fully complied with the Code during the Reporting Period.

The Group commits to continuously improving its corporate governance practices by periodic review to ensure that the Group continues to meet the requirements of the Code.

The key corporate governance practices of the Group are summarised as follows:

BOARD OF DIRECTORS

Composition

As at the date of this report, the Board currently comprises six executive Directors and four independent non-executive Directors.

Executive Directors

Mr. Lau Woon Si *(Chairman)*
Mr. Fong Hon Hung *(Chief Executive Officer)*
Mr. Cheung Lap Kei (resigned on 5 January 2018)
Mr. Chan Chi Ming Tony
Mr. Zhang Zhenyi (appointed on 5 January 2018)
Mr. Chan Kwan (appointed on 13 March 2018)
Mr. Yan Shuai (appointed on 13 March 2018)

Independent Non-executive Directors

Mr. Lo Wa Kei Roy
Ms. Li Zhongye Cindy
Ms. Wang Qing
Mr. Leung Ka Fai Nelson (appointed on 5 July 2017)

The Company has complied with rules 3.10(1) and 3.10A of the Listing Rules during the Reporting Period. There are currently four independent non-executive Directors in the Board and the number of independent non-executive Directors represents more than one-third of the Board. As such, there exists a strong independent element in the Board, which can effectively exercise independent judgement. The Company has also complied with rule 3.10(2) of the Listing Rules which stipulates that one of the independent non-executive Directors must possess appropriate professional qualification or accounting or related financial management expertise. In compliance with the Code, the independent non-executive Directors expressly identity as such in all corporate communications that disclose the name of the Directors.

Each of the independent non-executive Directors namely, Mr. Lo Wa Kei Roy, Ms. Li Zhongye Cindy, Ms. Wang Qing and Mr. Leung Ka Fai Nelson has entered into a service contract with the Company for a fixed term unless terminated by not less than three months' notice (except Ms. Wang Qing with two months' notice) in writing served by either party on the other. The independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company ("**AGM**") in accordance with the articles of association of the Company (the "**Articles**").

CORPORATE GOVERNANCE REPORT

At each AGM, one-third of the Directors are required to retire from office. Each Director shall retire from office once every three years. The Directors to be retired in every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election. Mr. Lau Woon Si, Mr. Chan Chi Ming Tony and Ms. Wang Qing will retire from office as Directors at the forthcoming AGM pursuant to Article 108 of the Articles. Mr. Chan Chi Ming Tony has informed the Board that he would not offer himself for re-election and accordingly will retire as Director upon the conclusion of the AGM. Save for Mr. Chan Chi Ming Tony, the other two retiring Directors, being eligible, offer themselves for re-election at the AGM.

New Directors appointed by the Board during the year shall retire and submit themselves for re-election at the AGM immediately following their appointments. Mr. Zhang Zhenyi, Mr. Chan Kwan and Mr. Yan Shuai will retire from office as Directors at the forthcoming AGM of the Company, being eligible, offer themselves for re-election pursuant to Article 112 of the Articles. No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year other than statutory compensation.

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

Save as disclosed in this report, there are no financial, business, family or other material/relevant relationship among the members of the Board. The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Company Secretary" of this annual report.

BOARD AND GENERAL MEETING

The Board meets regularly and, in addition to regular meetings, it meets as and when warranted by particular circumstances. During the Reporting Period, the Directors' attendance of the Board meetings and general meeting are set out as follows:

	Attendance/ Number of general meeting during the Reporting Period	Attendance/ Number of Board meetings during the Reporting Period
Executive Directors		
Mr. Lau Woon Si *(Chairman)*	1/1	6/6
Mr. Fong Hon Hung *(Chief Executive Officer)*	1/1	5/6
Mr. Cheung Lap Kei	1/1	4/4
Mr. Chan Chi Ming Tony	1/1	6/6
Mr. Zhang Zhenyi	N/A	2/2
Mr. Chan Kwan	N/A	N/A
Mr. Yan Shuai	N/A	N/A
Independent Non-executive Directors		
Mr. Lo Wa Kei Roy	1/1	6/6
Ms. Li Zhongye Cindy	1/1	6/6
Ms. Wang Qing	1/1	6/6
Mr. Leung Ka Fai Nelson	1/1	4/4

BOARD RESPONSIBILITIES AND DELEGATION

The Board is responsible to the Shareholders for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, approving the annual development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control and risk management system and supervising and managing the management's performance.

Regarding the Group's corporate governance, during the Reporting Period, the Board has performed the following duties in accordance with the terms of reference:

- determined and reviewed the policies and practices on corporate governance of the Group and make recommendations;
- reviewed and monitored the training and continuous professional development of the Directors and senior management;
- reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements;
- developed, reviewed and monitored the code of conduct applicable to Directors and employees; and
- reviewed the Company's compliance with the Code and disclosure in this corporate governance report.

The Board delegates the day-to-day management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board periodically to ensure they remain appropriate to the needs of the Group. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group by the management. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "**Board Committee**").

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. In compliance with the Code, the Chairman and Chief Executive Officer of the Company have been performed by separate person during the Reporting Period. In order to ensure that there is clear division of responsibilities between Chairman of the Board and the Chief Executive Officer of the Company, the two positions are assumed by different individuals, Mr. Lau Woon Si, the Chairman of the Board, is responsible for the operation of the Board and the formulation of the Group's strategies and policies. Mr. Fong Hon Hung, the Chief Executive Officer of the Company, with the assistance of other members of the Board and senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation. The Chairman of the Board ensures that all Directors are properly briefed on issues arising at the Board meetings and receive adequate, complete and reliable information in a timely manner.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

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

The Company recognised the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. In designing the Board's composition, the Board diversity has been considered from a number of measurable aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services, all of which the Company considers to be important to enhance the quality of its performance. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

The nomination committee of the Board (the "**Nomination Committee**") will monitor the implementation of the Board Diversity Policy and recommend any proposed changes to the Board for approval. The Nomination Committee will from time to time review the Board Diversity Policy as appropriate to ensure its effectiveness.

The Nomination Committee had reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct of the Company regarding directors' transactions of the listed securities of the Company.

The Company has made specific enquiry to all Directors, and all Directors confirmed that they had complied with the Model Code and its code of conduct during the Reporting Period.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

All Directors confirmed that they had complied with code provision A.6.5 of the Code during the Reporting Period that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged an in-house training on the Listing Rules in the form of a seminar during the Reporting Period conducted by the legal advisor as to Hong Kong laws and relevant training materials were distributed to all the Directors. All Directors attended the in-house training. The training covered topics including the Code, listed company regulations and disclosure obligations in Hong Kong, disclosable transactions and connected transactions, etc.

BOARD COMMITTEES

The Board has established the (i) audit committee (the "**Audit Committee**"), (ii) remuneration committee (the "**Remuneration Committee**"), and (iii) the Nomination Committee with defined terms of reference. The terms of reference of each of the Board Committees, which explain their respective roles and authority delegated to them by the Board, are available on the websites of the Company and the Stock Exchange. In addition to the abovementioned committees, a legal compliance committee (the "**Legal Compliance Committee**") has been established by the Board on 9 May 2015. The Board Committees are provided with sufficient resources to discharge their duties and upon reasonable request, are able to seek independent professional advice and other assistance under appropriate circumstances, at the Company's expenses.

AUDIT COMMITTEE

The Company has established the Audit Committee on 9 May 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code. The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Lo Wa Kei Roy, Ms. Li Zhongye Cindy and Ms. Wang Qing, with Mr. Lo Wa Kei Roy being the chairman of the Audit Committee.

The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the financial reporting system, internal control procedures and risk management control systems, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. During the Reporting Period, the Audit Committee has reviewed with the management on the Group's unaudited interim results, audited annual results, the consolidated financial statement and this report.

During the Reporting Period, 3 meetings were held by the Audit Committee. The attendance record of each member of the Audit Committee is set out below:

Name of committee members	Attendance/Number of meetings during the Reporting Period
Mr. Lo Wa Kei Roy	3/3
Ms. Wang Qing	3/3
Ms. Li Zhongye Cindy	3/3

There had been no disagreement between the Board and the Audit Committee during the Reporting Period.

During the Reporting Period, members of the Audit Committee had performed the following duties under the terms of reference:

- made recommendations to the Board on the appointment and re-appointment of the Company's external auditors and approved the audit and terms of engagement of the Company's external auditors;
- reviewed the Company's external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- reviewed the integrity of the Company's financial statements and annual report and accounts, interim report and reviewed significant financial reporting judgements;
- discussed with the Company's external auditors questions and doubts arising in audit of annual accounts;
- reviewed the Group's internal control system and risk management control system and the statement about the Company's internal control system which included in this report prior to submission for the Board's approval;

- reviewed the Company's financial reporting, financial controls, internal control and risk management control systems;
- discussed the risk management and internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system. The discussion included the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- reviewed the financial and accounting policies and practices of the Group; and
- reviewed material queries raised by the auditors to management about accounting records, financial accounts and management's response.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee on 9 May 2015. As at the date of this report, the Remuneration Committee comprises an executive Director, namely Mr. Chan Chi Ming Tony and two independent non-executive Directors, namely Mr. Lo Wa Kei Roy and Ms. Li Zhongye Cindy. Ms. Li Zhongye Cindy is the chairperson of the Remuneration Committee.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the Code and are available on the websites of the Company and the Stock Exchange.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group's policy and structure for the remuneration of all Directors and senior management, reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives of the Board from time to time. The Board as a whole has determined the remuneration policy and packages of the Directors. No individual Director was allowed to involve in deciding his/her own remuneration.

DIRECTORS' REMUNERATION

Directors' emoluments are determined with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the Remuneration Committee of the Company annually. Details of the Directors' remuneration are set out in the consolidated financial statements of this annual report.

REMUNERATION OF THE SENIOR MANAGEMENT

During the Reporting Period, the remuneration of senior management is listed as below by band:

Band of remuneration (HK$)	No. of person
HK$1,000,000 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	4
HK$2,000,001 to HK$2,500,000	1

Further details of the remuneration of the Directors and the 5 highest paid employees required to be disclosed under Appendix 16 to the Listing Rules have been set out in the consolidated financial statements of this annual report.

During the Reporting Period, the Remuneration Committee held 3 meetings and all the members (except the newly appointed members) had attended to review the Group's remuneration policy and approved the terms of executive Directors' service contracts. The committee members' attendance of the Remuneration Committee is set out as follow:

	Attendance/ Number of meetings during the Reporting Period
Ms. Li Zhongye Cindy	3/3
Mr. Chan Chi Ming Tony	3/3
Mr. Lo Wa Kei Roy	3/3

During the Reporting Period, members of the Remuneration Committee had performed the following duties under the terms of reference:

- assessed the performance of executive Directors and consulted the Chairman of the Board and the Chief Executive Officer about their remuneration proposals for other executive Directors;
- made recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration;
- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- made recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- made recommendations to the Board on the remuneration of non-executive Directors;
- considered salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;
- ensured that no Director or any of his/her associates is involved in deciding his/her own remuneration; and
- reviewed and approved compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive.

NOMINATION COMMITTEE

The Company established a Nomination Committee on 9 May 2015. As at the date of this report, the Nomination Committee comprises an executive Director, namely Mr. Lau Woon Si, and two independent non-executive Directors, namely Mr. Lo Wa Kei Roy and Ms. Li Zhongye Cindy. Mr. Lau Woon Si is the chairman of the Nomination Committee.

The written terms of reference of the Nomination Committee adopted by the Board are in line with the Code and are available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Nomination Committee held 4 meetings and all the members (except the newly appointed members) had attended to review the Group's nomination policy. The committee members' attendance of the Nomination Committee is set out as follow:

	Attendance/ Number of meetings during the Reporting Period
Mr. Lau Woon Si *(Chairman)*	4/4
Mr. Lo Wa Kei Roy	4/4
Ms. Li Zhongye Cindy	4/4

During the Reporting Period, members of the Nomination Committee had performed the following duties under the terms of reference:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and made recommendations on proposed changes (if any) to the Board to complement the Company's corporate strategy;
- reviewed the Company's Board Diversity Policy and the progress on achieving the objectives set for implementing the said policy;
- determined the policy for the nomination of Directors;
- assessed the independence of independent non-executive Directors; and
- made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

LEGAL COMPLIANCE COMMITTEE

The Legal Compliance Committee currently comprises three members, namely Mr. Lau Woon Si, Mr. Chan Chi Ming Tony and Mr. Zhang Zhenyi. Mr. Lau Woon Si is the chairman of the Legal Compliance Committee.

With reference to the terms of reference of the Legal Compliance Committee, the primary duties of the Legal Compliance Committee are to assist in overseeing the Company's compliance with laws and regulations relevant to the Company's business operations and to review the effectiveness of the Company's regulatory compliance procedures and system.

The committee members' attendance of the Legal Compliance Committee is set out as follow:

	Attendance/ Number of meetings during the Reporting Period
Mr. Lau Woon Si *(Chairman)*	1/1
Mr. Cheung Lap Kei (resigned on 5 January 2018)	1/1
Mr. Chan Chi Ming Tony	1/1
Mr. Zhang Zhenyi (appointed on 5 January 2018)	N/A

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for each financial year have been prepared on this basis.

EXTERNAL AUDITORS' REMUNERATION

The Company engaged HLB Hodgson Impey Cheng Limited as its external auditors for the year ended 31 March 2018. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. There is no non-audit services provided by the auditors. Details of the fees paid/payable to HLB Hodgson Impey Cheng Limited during the Reporting Period are as follows:

	HK$
Audit services	800,000

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and to ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems. However, risk-taking is an unavoidable necessity and an accepted part of the Company's business while effective risk management is an integral part to preserving competitive advantages and ensures the Company achieves its strategic and business objectives. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management

Risk management applies to all aspects of the Group's business and is a critical component in developing strategic plans, preparing operational plans and budgets, approving investment projects and managing project plans.

Risks are evaluated by the Board and management based on severity of the impact on the Company and the probability that the risk will occur.

Based on the risk evaluation, the Group will manage the risks as follows:

- Risk elimination: management may identify and implement certain changes or controls that in effect eliminate the risk entirely.

- Risk mitigation: management may implement a risk mitigation plan designed to reduce the likelihood and/or severity of impact to an acceptable level.

- Risk acceptance: management may decide that the risk rating is acceptable for the Company meanwhile and as such no action is required. However, the risk would continue to be monitored to ensure the level of risk does not increase to an unacceptable level.

Controls and Reviews

Policies and procedures are in place to ensure that relevant management directives are carried out and actions that may be needed to address risks are taken. These may include approvals and verifications, reviews, safeguarding of assets and segregation of duties.

Control activities can be divided into operations, financial reporting and compliance, although there may, on occasion, be some overlaps between them. The typical control activities adopted by the Group include:

- analytical reviews: such as conducting reviews of actual performance versus prior periods;
- direct functional or activity management: reviews of performance reports;
- physical controls: ensuring equipment, inventories and other assets are safeguarded and subjected to periodic checks; and
- segregation of duties: dividing and segregating duties among different people, with a view to strengthening checks and minimizing the risk of errors and abuse.

Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Group:

- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;
- closely communicates and seek advice from its legal advisor in the assessment of the likely impact of any unexpected and significant event that may impact the price of the Shares or their trading volume and to determine whether the relevant information is considered inside information that needs to be disclosed as soon as reasonably practicable pursuant to the SFO and the Listing Rules;
- has included in its Corporate Code of Conduct a strict prohibition on the unauthorized use of confidential or inside information; and
- ensures, through its own internal reporting process and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

Assessing the Effectiveness of Risk Management and Internal Control Systems

The Board, via the Audit Committee, is responsible for the review and assessment of the major risks the Group faces and the review, approval and monitoring of the Group's response to such risks annually.

The Audit Committee oversees the risk management process and reviews the effectiveness of the risk management and internal control systems by performing the following procedures:

- Review with management annually those reports on compliance with the risk management policy;
- Discuss with management annually on the Group's major risks and the steps management has taken since then or should take to address and deal with such risks; and
- Review the effectiveness of the Group's risk management practices.

Management is responsible for ensuring the Group's business operations are being conducted in line with our risk management policy, taking into consideration changes in external environment and the Group's risk tolerance level.

In addition to the Board's oversight, the Group has developed a risk management process to identify, evaluate and manage significant risks and to remediate material internal control deficiencies (if any). Management, through the engagement of the independent internal control and risk advisory team, is responsible for the annual risk reporting process. The independent internal control and risk advisory teams meets with members of the senior management to review and assess risks and discuss remedial measures to address material internal control deficiencies (if any), including any changes relevant to a given year. Risks are compiled, ratings assigned and migration plans documented. The risk assessment is reviewed by management and presented to the audit committee and the Board for their review.

The Group has in place effective processes and systems for the identification, capture and reporting of operational, financial and compliance-related information in a form and timeframe intended to ensure that staff carry out their designated responsibilities.

Risk Management and Internal Control Process

On behalf of the Board, the Audit Committee reviews annually the continuous effectiveness of the Group's risk management and internal control systems dealing with risk and financial accounting and reporting, the effectiveness and efficiency of operations, compliance with laws and regulations, and risk management functions.

The assessment considers:

- the scope and quality of management's ongoing monitoring of risks and of the risk management and internal control systems;

- the extent and frequency with which the results of monitoring are communicated, enabling the Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed;

- the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition;

- the effectiveness of the Group's processes in relation to financial reporting and statutory and regulatory compliance;

- areas of risk identified by management;

- significant risks reported by the independent internal control and risk advisory team;

- work programs proposed by the independent internal control and risk advisory team and the external auditors; and

- significant issues arising from internal and external audit.

As a result of the above review, the Board consider that the Group's risk management and internal control systems are effective and adequate and have complied with the Code Provisions on risk management and internal control throughout the year and up to the date of this annual report.

Internal Audit

The Group has engaged an independent internal control and risk advisory team, ZHONGHUI ANDA Risk Services Limited, which has assisted in monitoring the corporate governance of the Group and in providing an objective assessment to the Board on whether a sound internal control system is maintained and operated by management.

The internal control and risk advisory team conducted a review on a number of corporate governance areas and business cycles and had included recommendations for the improvement and strengthening of the internal control system. No significant control findings or weakness have been identified by the internal control and risk advisory team. The Audit Committee reviews the findings and recommendations of the internal control and risk advisory team on the effectiveness of the Group's internal control system and reports to the Board on such reviews.

COMPANY SECRETARY

Mr. Cheung Lap Kei was appointed as the company secretary of the Company (the "**Company Secretary**") on 25 January 2017 and has resigned on 5 January 2018.

Ms. Wong Kit Ying has been appointed as the Company Secretary in place of Mr. Cheung Lap Kei since 5 January 2018.

The Company Secretary reports directly to the Board. All Directors have easy access to the Company Secretary and the responsibility of the Company Secretary is to ensure the Board meetings are properly held and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advices with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of disclosable transactions, connected transactions and inside information.

The Company Secretary, Ms. Wong Kit Ying, had taken no less than 15 hours of relevant professional training during the Reporting Period.

GENERAL MEETINGS WITH SHAREHOLDERS

The AGM is a forum in which the Board and the Shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc. At the AGM, the Directors (including the independent non-executive Directors) are available to attend to questions raised by the Shareholders. The external auditors of the Company is also invited to be present at the AGM to address to queries of the Shareholders concerning the audit procedures and the auditors' report.

The next AGM of the Company will be held within 2018, the notice of which shall be sent to the Shareholders at least 20 clear business days prior to the meeting.

SHAREHOLDERS' RIGHTS

Procedures for Convening General Meetings by Shareholders

Pursuant to Article 64 of the Articles, the Board may whenever it thinks fit call extraordinary general meetings.

Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary by mail at Room 1802, 18th Floor, Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong 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.

Procedures for Putting Forward Proposals at Shareholders' Meeting

Shareholders are requested to follow Article 64 of the Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for convening general meetings by shareholders".

Pursuant to Article 113 of the Articles, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a 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 no earlier than the day after the dispatch 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.

Procedures by which Enquiries may be Put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by post to the principal place of business in Hong Kong set out in the section headed "Corporation Information" by fax at +852 3793 3530 or by email at info@1718hk.com. The Company Secretary is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the Chief Executive Officer of the Company.

Investor Relations

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meeting, public announcement and financial reports. The investors are also able to access the latest news and information of the Group via our website (www.hkex1718.hk).

In order to maintain good and effective communication, the Company together with the Board extend their invitation to all Shareholders and encourage them to attend the forthcoming AGM and all future general meetings.

The Shareholders may also forward their enquiries and suggestions in writing to the Company to the followings:

Address: Room 1802, 18th Floor, Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong
Email: info@1718hk.com

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report was prepared for an overview of the performance of the Group on environmental, social and governance ("**ESG Report**"). This ESG Report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**ESG Reporting Guide**") as set out in Appendix 27 of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Unless otherwise stated, the ESG Report covers the overall performances, risks, strategies, measures and commitments of the Group in environmental, social, and governance areas for the Reporting Period.

During the Reporting Period, the Group is principally engaged in providing foundation construction and ground investigation services in Hong Kong. The foundation construction is our major business, which mainly consists of the construction of socketed H-piles, mini piles, soldier piles, pipe piles and king posts. We conduct foundation construction through Wan Kei Geotechnical Engineering Company Limited and ground investigation services through Chun Shun Boring Engineering Company Limited. Therefore, the ESG Report will mainly focus on the above businesses.

For the Group's corporate governance practice information, please refer to the corporate governance report on pages 15 to 27 of this annual report.

MATERIALITY ASSESSMENT

Management and employees of the Group have participated in the preparation of this report, and have assisted the Group to review the issues related to environment, society, operating practices and governance, assess the importance of such issues to businesses of our Group and stakeholders, and make disclosure of relevant information.

STAKEHOLDERS ENGAGEMENT AND COMMUNICATION

The Group actively communicates with internal and external stakeholders and presents our updated operation condition to them proactively through various channels. We integrate their opinions with our daily operational decisions, strive to balance the interests of the parties and satisfy the expectations and demands of stakeholders.

Stakeholders	Needs and Expectations	Communication Channels
Government and Regulatory Agencies	• Comply with relevant laws and regulations • Proper tax payment	• On-site testing • Statutory reports and general disclosures • Company website
Investors and Shareholders	• Investment return • Transparency of information	• General meetings • Statutory reports and general disclosures • Telephone/E-mail/Website
Customers	• Durable and solid foundation • High-quality ground investigation services • Promptly response and follow-up comments	• Regular meetings with contractors/customers • Customers' feedback survey
Employees	• Remuneration and promotion prospect • Healthy and safe working environment	• Employee gathering • Annual performance assessment • Employee training • Direct communication
Suppliers	• Stable cooperation relationship • Respect to contractual commitment and payment terms	• Exclusive buyers • Formal service contract and assessment survey
The General Public	• Ensure the daily life was not effected by engineering • Constructions cause no structural danger upon the completion of works • Comply with relevant environmental laws related to noise, air pollution and others	• Corporate website • Statutory reports

STAKEHOLDERS' FEEDBACK

We welcome opinions on the Group's approaches and performance on the environmental, social, and governance aspects upon reading the ESG Report. Please share with us via:

Postal address:	Room 1802, 18th Floor, Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong
Tel:	(852) 3793 3520
Fax：	(852) 3793 3530
E-mail:	info@1718hk.com

ENVIRONMENTAL PROTECTION

The Group is engaged in foundation construction and ground investigation services, which may inevitably produce exhaust gas, greenhouse gas, dust, sewage, noises and other emissions. However, we have implemented detailed internal codes, and made clear guidelines on management of site environment, control on emissions, and even management of office environment, in an effort to minimise the impacts of our daily operation on the environment.

As a recognition to our environment policies, our environmental management system concerning the design, supply and installation of the rock-socketed steel H-pile in pre-bored hole and mini pile work, has been identified to be in compliance with ISO 14001: 2015 after the assessment since 2007. We have been granted the OHSAS 18001:2007 Certification of Environment Management System by Accredited Certification International Limited, the Best Safety and Environment Protection Subcontractor Award by customers and the On-site Best Safety and Environmental Subcontractor Award by customers, all of which prove our endeavour in promoting environmentally responsible practices.

1. Emissions

Air Pollution - Exhaust Gas and Greenhouse Gas Emissions

Greenhouse gas emissions from daily business activities mainly represent direct exhaust emissions from construction machineries and transport vehicles while carrying out projects, as well as electricity and paper consumption in office and warehouse. The Group has issued specific internal guidance for regulating and monitoring the greenhouse gas emissions and exhaust emissions during the daily operation, including the construction process and environment management on the site, turning off all idle construction machineries and strictly enforcing “Switch off Idling Vehicles”, as well as reminding staff to turn off all electric appliances while leaving the working place.

The Group has complied with the Air Pollution Control Ordinance and other regulations promulgated by governments and currently applicable to the Group, as well as environmental requirements of contractor. All machineries, including leased machineries, used on the site shall obtain approval or exemption from the Environmental Protection Administration, and shall not be used on the site until the approval label or exemption label being attached. Those machineries consume ultra-low-sulfur diesel to reduce the emission of suspended particles effectively.

In addition, the Group maintains and repairs machineries, equipment and vehicles on regular basis, with a view to prevent them from generating excess emissions of exhaust caused by broken parts and other reasons, and to facilitate the reduction of fuel consumption

During the Reporting Period, the greenhouse gas and exhaust data is as followed:

Categories of Greenhouse Gas Emissions	Unit	Emissions
Nitrogen oxides	kg	435.8
Sulfur oxides	kg	0.8
Particulate matter	kg	36.3
Scope 1 Direct emissions of greenhouse gas – gasoline consumption	ton	5,159.0
Scope 2 Indirect emissions of greenhouse gas – electricity consume	ton	15.5
Scope 3 Other indirect emissions of greenhouse gas – paper consumption	ton	4.5
Total emissions of greenhouse gas	ton	5,179.0

Air Pollution - Dust

Dust is generated during construction work. Dust emissions can mainly be attributed to wind and kinesis. Construction materials such as sands and cements stored outdoor as well as the dust of the exposed construction area are easily scattered in dry and windy weather. In addition, dust is generated by external force in particular the construction trucks and machineries during the process of excavation and soil loosening.

In compliance with the Air Pollution Control Ordinance, the Group controls the emission of air pollutants by following the Group's internal guidance. We cover all vehicles carrying sand and other scraps completely with canvas to ensure that no large amount of dust is generated during transportation. In order to prevent dust spreading around, we install water sprinklers on the sites to clean tires of construction vehicles while entering into or leaving the site and roads.

Hazardous and Non-hazardous Waste Treatment

Waste from daily operation includes general inert waste and non-inert construction materials from construction works. The Group manages waste from the site in accordance with the internal waste management guidance and the Waste Disposal Ordinance. In general, the Group categorizes the waste from construction works. General inert waste from work, such as rocks, if applicable, shall be reused as filling materials at the site or collected by professional contractors as reclamation materials in the future. Other waste that is not applicable for recycle or reuse shall be discarded to the public dumping area. Metal and chemical waste within the site shall be collected and discarded by licensed contractors. All waste shall be well disposed before being removed from the site.

In respect of office waste, apart from dumping waste at the designated place in line with the requirements of the property management office of the office premise, we also categorize the waste and engage a contractor to collect toner cartridge. Meanwhile, we regularly monitor the consumption of paper, toner cartridges and ink cartridges.

During the Reporting Period, the Group's non-hazardous waste from daily operation mainly comprises of iron, and no hazardous waste is generated. During the Reporting Period, the data of non-hazardous waste is as followed:

Categories of Non-hazardous Waste	Unit	Amount
Construction materials	ton	174
Paper	kg	943

Sewage Discharge

We have complied with the Water Pollution Control Ordinance. Water consumed at the site shall be discharged to the designated environmental treatment facility in accordance with the instruction of the contractors before being discharged outside the site. We shall deploy adequate manholes and deposition pools in line with seasons, with an aim to mitigate the water pollution caused by garbage, oil or other materials.

During the Reporting Period, the Group was not aware of any material noncompliance with laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

The disclosures with respect to the KPI under Aspect A1 of ESG Reporting Guide of the Group are summarised below:

"Comply or explain" Provisions

KPI A1.1	The types of emissions and respective emissions data.	Disclosed
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Not applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed

2. Use of Resources

The Group encourages its staff to make good use of resources, and issues internal notice to all of the staff, requiring them to save energy and reduce consumption:

- Turn off all the air conditioners and lighting systems before leaving the working environment;
- Use LED lighting in the office;
- Maintain the indoor temperature at 25 degree celsius in the office;
- Use recycled paper and double-sided printing as well as old envelops for internal documents or non-important/unclassified documents.
- Use electronic documents such as email as possible and reduce paper usage;
- Reduce the use of disposable goods and reuse office stationary;
- Make use of telephone/video conferencing equipment to avoid of unnecessary business travelling.

During the Reporting Period, data of resources consumption is as follows:

Types of resources consumption	Unit	Amount
Electricity	kwh	142,781
Petrol	liters	24,204
Diesel	liters	1,945,638
Water	cubic	6,725
Cements	tonnes	16,340

The Group considers water resources to be quite valuable and we are committed to promoting the concept of saving water. There is a wide range of water use at construction sites. Although the water supply facilities at the sites are provided by the contractors, we call on the construction workers from time to time not to waste water. As for offices, we put up some slogans with saving water near taps to remind staff to save water.

The disclosures with respect to the KPI under Aspect A2 of ESG Reporting Guide of the Group are summarised below:

"Comply or explain" Provisions

KPI A2.1	Direct and/or indirect energy consumption by type and intensity.	Disclosed
KPI A2.2	Water consumption in total and intensity.	Disclosed
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed
KPI A2.4	Description on whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Do not have any issue in sourcing water Remaining — disclosed
KPI A2.5	Total packaging material used for finished products.	Not applicable due to its business nature

3. Environment and Natural Resources

Noise Management

As certain procedures would produce noises during the construction, which cause impacts to the residents nearby, the Group adopts necessary measures to minimize noises in compliance with the Noise Control Ordinance. We conduct construction during designated time (e.g. 7 a.m. to 7 p.m. on normal working days) and apply for Noise Control Permit (NCP) for certain works or construction ways.

We would set noise barriers or noise enclosure at the early stage during construction period to supress the noise level.

Enhancing Environmental Awareness

The Group actively enhances the environmental awareness of its staff in addition to enhancing environmental measures, including issuing of internal environmental guidance and sharing of relevant environmental information in relation to green office.

The disclosure with respect to the KPI under Aspect A3 of ESG Reporting Guide of the Group is summarised below:

"Comply or explain" Provisions

KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed

SOCIETY

Employment and Labour Practices

1. Employment

Employment Policy

The Group has established a series of internal policies related to employment according to the guidance under Hong Kong Employment Ordinance, industry features and practices to ensure that our employees are provided with equal promotion opportunity and other packages, such as minimum wage security, maximum working hours, compensatory leave, mandatory provident fund or pension security and rewards for long-term services.

In general, subsidiaries of the Group would make proper upward or downward adjustment to the number of existing staff in the recruitment process based on the scale and actual situation or progress of the existing sites and the sites awarded. As all employees on the sites are paid on a daily basis, the employee turnover is relatively at a high level.

As general foundation construction and ground investigation services involve certain high-risk activities, only staff possessed of the Construction Industry Safety Training Certificate can carry out related work on the site.

Besides, as our subsidiaries engage in construction business, they will also subcontract some projects to other subcontractors. In order to ensure that the employees of the subcontractors could receive reasonable wages, we usually pay the wages to such employees responsible for relevant projects on behalf of the subcontractors.

During the Reporting Period, the Group did not involve any illegal activities related to employment that had caused material impact on the Group.

Equal Opportunity and Diversity Policy

The Group's principal businesses are foundation construction and ground investigation services, which demand plenty of physical labour force, hence traditionally male employees are a majority in the workforce of construction business. However, the Group has also committed to striking a balance between male and female employees in its working environment and providing equal opportunity towards different gender employees.

We are impartial in choosing our employees, and have gradually established and improved our recruitment mechanism. Recruitment of employees are based on their work experience, techniques and skills, work performance. We do not discriminate our employees on the basis of their gender, age, origin, nationality, race, religious belief, sexual orientation, physical disability, marital status and so on.

Staff Communication

We place high priority on staff communication through various activities and channels, by which we can understand our staff's needs and strengthen our relationship. In some traditional Chinese festivals, such as Chinese New Year Eve, the Company will organize New Year Eve's dinner for all staff in order to create a harmonious and friendly working atmosphere and strengthen communication with staff.

Dismissal

The Group complies with the guidance under Hong Kong Employment Ordinance. If terminating the employment of staff, we will follow the process to make reasonable compensation to the dismissed employees. The relevant provisions on termination of the employment relationship are set out in the employment contracts of every employee.

The employment data during the Reporting Period is set out below:

	Unit	As at 31 March 2018	2017
Total number of staff	Number of staff	123	145
By gender			
– Male	Percentage	87.0	87.6
– Female		13.0	12.4
Category of employees			
– Full-time and long-term staff (Male)	Percentage	38.2	35.2
– Full-time and long-term staff (Female)		12.0	11.7
– Full-time and long-term contract staff (Male)		48.8	52.4
– Full-time and long-term contract staff (Female)		1.0	0.7
By category			
– Executives (Male)	Percentage	16.8	10.3
– Executives (Female)		4.0	2.8
– Others (Male)		70.2	77.2
– Others (Female)		9.0	9.7
By age			
– below 30	Percentage	8.0	10.3
– 30-39		18.4	16.6
– 40-49		25.6	22.8
– 50-59		31.2	33.1
– above 60		16.8	17.2
New employees	Number of staff	37	21
Staff turnover	Number of staff	55	33

2. Health and Safety

Occupational Safety

We care about the health and well-being of our employees. Due to the nature of our businesses, some employees have to operate a variety of large machines during daily work, which involves certain safety risk. As such, the Group implemented various safety measures to ensure the occupational safety of the employees.

All employees who perform engineering operation must undergo mandatory basic safety training. Only those awarded with the Construction Industry Safety Training Certificate, commonly known as the "Green Card", can be employed to carry out related work on the site. In order to enhance site safety supervision and staff's safety awareness, the Group has also engaged professional safety consultants to conduct inspection on site safety so as to rectify site safety problems immediately and reduce the occurrence of industrial injury incidents. Our professional safety consultants also regularly provide certain safety courses and guidelines on site safety for site staff and supervisors.

As there are many machinery and other equipment in the construction sites, employees will be more prone to industrial accidents. We strictly require workers to wear safety protection equipment such as safety helmets and obey the safety guidelines of contractors and the Group.

During the Reporting Period, the Group did not record significant safety accidents and occupational injuries, nor did it have any events regarding safe working environment and protecting employees from occupational hazards; and no violation of health and safety laws and regulations was found.

Physical and mental health

Apart from daily work, the Group encourages employees to participate in various types of outdoor activities which benefit to the body fitness and mind and keep healthy to promote the physical and mental development of employees and maintain a work-life balance.

3. Development and Training

The Group actively attracts and retains talents, and trains employees who have the potential to become managers in the long run. Therefore, we encourage our employees to receive further education in relation to the development needs of the Group and make good use of their talents to achieve their career goals. We offer sufficient internal promotion opportunities to our employees. We promote our staff based on their staff performance evaluation results. Our senior management has extensive experience in the industry and will actively share their knowledge to facilitate the development of our employees. Employees may also communicate with and seek professional advice from their department heads on their personal career development planning.

All staff on the construction site are required to attend site safety lectures organised by the contractor that last for half a day to one and a half days depending on requirements of such contractor. We have also asked staff to attend lectures on construction site safety and crisis training organised by professionals.

The Company has appointed professionals to provide our Directors and senior management with trainings on various aspects such as the Listing Rules and corporate governance.

4. Labour Standards

The Group rigidly complies with all relevant labour standards in Hong Kong and actively protects the basic personal rights and interests of its employees, ensuring that they work in a fair environment and are respected. We strictly forbid unlawful acts such as child and forced labour. In order to combat illegal employment of child and forced labour, the Human Resources Department of the Group requires job seekers to provide valid identification before confirming employment to ensure that applicants can be employed in accordance with the law.

During the Reporting Period, the Group did not employ child and forced labour, nor did it record any cases of discrimination involving race, religion, age or disability.

OPERATING PRACTICE

Supply Chain Management

The Group has a total of 220 suppliers, mainly including subcontractors and material suppliers which are Hong Kong based companies. There was no major change in the regional ratio during the year.

We have long-term relationships and mutual trust with our major suppliers (including subcontractors, material suppliers, etc.) based on long term cooperation and mutual trust, and all of them have been our material suppliers for more than a decade. As the Company's businesses are based in Hong Kong, we choose to purchase from suppliers in Hong Kong to save transportation costs.

In addition to geographical factors, we choose and evaluate our suppliers based on their professional qualifications, product quality, service capabilities and pricing, etc. and in accordance with our procurement policy. Furthermore, we strictly stipulated that all purchase orders on materials are placed by the office's purchaser, and purchase orders must be signed by Directors to be valid.

Product Responsibility

Product quality

The Group has been engaged in foundation construction and ground investigation services for over a decade and has completed hundreds of projects one after another. We are widely recognised and highly praised by our clients as we focus on service quality and are committed to providing our clients with top-tier service portfolio. To meet the demand of our clients, the Group has developed its internal management system and closely monitored its project execution process, with an aim to render premium and reliable service to our clients.

All foundation construction and ground investigation services provided by us shall be verified by the contractor or surveyor, and we believe that this will also help enhance our clients' confidence on and recognition of our services. Our quality control system on the design, supply and installment of Rock-socketed Steel H-pile in Pre-bored Hole and Minipile work has been accredited with ISO9001:2015 certification of quality management system by Accredited Certification International Limited. During the Reporting Period, we received no complaints or claims from our customers arising from the quality issues of the work performed by the Company or sub-contractors, which in the view of Directors, is attributable to the effective quality control measures.

Policies of privacy

We hardly get access to the personal information of our customers or confidential data of enterprises in the ordinary course of business; however, we attach great attention to the protection of privacy and intellectual property. We ensure that all the business data of our customers which may be accessible will be properly dealt with by our staff and will not be used or leaked without authorisation.

Communication with customers

We actively communicate with our customers to understand their needs and their feedbacks on the services provided by us. In the event that the Group's projects could not reach the requirements and expectation of the customers, we will actively cooperate with the customers and make some remedies so as to satisfy the requirements of the contractors or surveyors.

During the Reporting Period, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided.

Anti-corruption

The Group and its subsidiaries all strictly adhere to the Prevention of Bribery Ordinance promulgated by the Hong Kong SAR Government. The Group seeks to further review the customers' information through understanding customers' background by way of interview, thereby identifying and preventing the customers and employees from bribery, blackmail, fraud and money-laundering in any way.

The Group has engaged an independent internal control and risk advisory team, which has assisted in monitoring the corporate governance of the Group and in providing an objective assessment to the Board on whether a sound internal control system is maintained and operated by management. The Group also engaged independent auditors to conduct external audit, in order to prevent and control the fraud or wrongdoings within the Group.

During the Reporting Period, the Group has not identified any cases of corruption or fraud. The Group will regularly review the implementation of relevant systems and put more resources in improving the mechanism, if necessary.

Whistle-blowing Policy

The Group has developed a "Whistle-blowing Policy" internally. Staff may report to relevant department managers or senior management in the event that they identify any irregularities, and we will protect the identity of the informer. The Company shall conduct detailed investigation on the reported event and take appropriate actions according to the result.

COMMUNITY

Community Investment

Based in Hong Kong, the Group has been striving to "reward the community" in different ways. We value our corporate social responsibility by dedicating to improve our staff awareness of community care.

We proactively seek to promote the spirit of corporate social responsibility within the company by organising or participating in appropriate community activities. Through various types of events, we encourage our employees to contribute to the community so as to help the needy and improve the relationship among staff, enterprise and community.

INDEX OF ESG GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas	Contents	Chapter of This Report
A. ENVIRONMENTAL		
A1 EMISSIONS		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, pollutant discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection – 1. Emissions
A2 USE OF RESOURCES		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection – 2. Use of Resources
A3 THE ENVIRONMENT AND NATURAL RESOURCES		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection – 3. Environment and Natural Resources
B. SOCIAL		
Employment and Labour Practices		
B1 EMPLOYMENT		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practices – 1. Employment
B2 HEALTH AND SAFETY		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Employment and Labour Practices – 2. Health and Safety
B3 DEVELOPMENT AND TRAINING		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work and description of training activities.	Employment and Labour Practices – 3. Development and Training
B4 LABOUR STANDARDS		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	Employment and Labour Practices – 4. Labour Standards

Subject Areas	Contents	Chapter of This Report
Operating Practices		
B5 SUPPLY CHAIN MANAGEMENT		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices – Supply Chain Management
B6 PRODUCT RESPONSIBILITY		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and remedies.	Operating Practices – Product Responsibility
B7 ANTI-CORRUPTION		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, blackmail, fraud and money-laundering.	Operating Practices – Anti-corruption
Community		
B8 COMMUNITY INVESTMENT		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community – Community Investment

REPORT OF THE DIRECTORS

The Board presents this annual report together with the audited consolidated financial statements of the Group for the financial year ended 31 March 2018.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 7 October 2014. Its registered office and principal place of business are at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1- 1108, Cayman Islands and Room 1802, 18th Floor, Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong, respectively.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and details of the principal activities of its subsidiaries are set out in the consolidated financial statements of this annual report. There was no significant change in the Group's principal activities during the Reporting Period.

BUSINESS REVIEW

The business review of the Group for the Reporting Period as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) is included in the section "Management Discussion and Analysis" in this annual report. This discussion forms part of this report of the Directors.

SEGMENT INFORMATION

An analysis of the Group's performance for the Reporting Period by operating segments is set out in the consolidated financial statements of this annual report.

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 in this annual report. No dividend was paid or proposed by the Company during the Reporting Period, nor has any dividend been proposed by the Directors since the end of the Reporting Period (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM of the Company will be held on 31 July 2018. For the purpose of determining the entitlement of the Shareholders of the Company to attend and vote at the AGM, the transfer of books and register of members of the Company will be closed from 26 July 2018 to 31 July 2018, both days inclusive. During such period, no share transfer will be effected. In order to be qualified for attending the forthcoming AGM, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 25 July 2018.

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 the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements during the Reporting Period in the share capital of the Company are set out in the consolidated financial statements of this annual report.

RESERVES

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

As at 31 March 2018, the Company had reserves amounted to approximately HK$168,908,000 available for distribution as calculated based on Company's share premium and capital reserve and retained profits/accumulated loss under applicable provisions of the Companies Law in the Cayman Islands.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for last five financial years, as extracted from the audited consolidated financial statements in this annual report and the Prospectus is set out in this annual report. This summary does not form part of the audited consolidated financial statements in this annual report.

EMOLUMENT POLICY FOR DIRECTORS

Directors' emoluments are determined with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the Remuneration Committee of the Company annually. Details of the Directors' remuneration are set out in the consolidated financial statements in this annual report.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders on 9 May 2015, the Company adopted a share option scheme (the "**Scheme**") to attract and retain the best available personnel, to provide additional incentive to employees (full-time or part-time), Directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

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

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

The Scheme will remain in force for a period of ten years commencing on the date of adoption (i.e. 9 May 2015) and shall expire at the close of business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

No share options were granted since the adoption of the Scheme and there are no outstanding share options at the end of the Reporting Period. A summary of the principal terms and conditions of the Scheme is set out in Appendix IV to the Prospectus.

DIRECTORS

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

Executive Directors

Mr. Lau Woon Si *(Chairman)*
Mr. Fong Hon Hung *(Chief Executive Officer)*
Mr. Cheung Lap Kei (resigned on 5 January 2018)
Mr. Chan Chi Ming Tony
Mr. Zhang Zhenyi (appointed on 5 January 2018)
Mr. Chan Kwan (appointed on 13 March 2018)
Mr. Yan Shuai (appointed on 13 March 2018)

Independent Non-executive Directors

Mr. Lo Wa Kei Roy
Ms. Li Zhongye Cindy
Ms. Wang Qing
Mr. Leung Ka Fai Nelson (appointed on 5 July 2017)

Information regarding Directors' emoluments is set out in the consolidated financial statements in this report. An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules have been received from each of the independent non-executive Directors.

DIRECTORS' SERVICE CONTRACT

All the independent non-executive Directors has respectively entered into a service contract with the Company for a fixed term unless terminated by not less than three months' notice (except Ms. Wang Qing with two months' notice) in writing served by either party on the other.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contracts of significance to which the Company or any of its subsidiaries was a party in which a Director had a material interest subsisted at the end of the Reporting Period or any time during the Reporting Period.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section "Biographical Details of Directors and Company Secretary" of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in the consolidated financial statements in this annual report, respectively.

MANAGEMENT CONTRACTS

As at 31 March 2018, the Company did not enter into or have any management and administration contracts in respect of the whole and any principal business of the Company.

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

As at 31 March 2018, interests or short positions in the shares of the Company (the "**Shares**"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) held by the Directors and Chief Executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and Stock Exchange pursuant to the Model Code are as follows:

(i) Long position in the Company's Shares

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested in	Approximate percentage of interests
Mr. Lau Woon Si ("**Mr. Lau**")	Interests held jointly with other persons; interest in controlled corporation *(Notes 1 and 3)*	273,920,000	28.53%
Mr. Fong Hon Hung ("**Mr. Fong**")	Interests held jointly with other persons; interest in controlled corporation *(Notes 2 and 3)*	273,920,000	28.53%

Notes:

(1) Mr. Lau owns approximately 94.65% shareholding in Suntecli Company Limited ("**Suntecli**"), which in turn beneficially owns 28.53% shareholding in the Company. Therefore, Mr. Lau is deemed or taken to be interested in all the Shares which are beneficially owned by Suntecli for the purpose of SFO. Mr. Lau is the Chairman, an executive Director and the chairman of the Nomination Committee of the Company.

(2) Mr. Fong is the Chief Executive Officer and an executive Director of the Company, who owns approximately 79% shareholding in Samwood Global Limited ("**Samwood**").

(3) Suntecli, Samwood, Mr. Lau, Mr. Fong and Mr. Leung Man Lun Stephen ("**Mr. Leung**") are parties acting in concert (having the meaning as ascribed thereto in the Hong Kong Code on Takeovers and Mergers (the "**Takeover Code**") pursuant to a confirmatory deed dated 3 December 2014 (the "**Concert Party Deed**").

(ii) Interests in the associate corporations

Name of Director	Position in the associated corporations	Approximate percentage of interest in the associated corporations
Mr. Lau	Director of Suntecli *(Note)*	Approximately 94.65% in Suntecli
Mr. Fong	Director of Samwood *(Note)*	79% in Samwood

Note:

Suntecli, Samwood, Mr. Lau, Mr. Fong and Mr. Leung are parties acting in concert (having the meaning as ascribed thereto in the Takeover Code) pursuant to the Concert Party Deed.

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

As at 31 March 2018, the following persons (not being a Director or Chief Executive of the Company) had interests or short positions in the shares of the Company or underlying Shares which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares held/interested	Approximate percentage of interest
Suntecli	Interests held jointly with other persons; beneficial owner *(Note 1 and Note 5)*	273,920,000	28.53%
Samwood	Interests held jointly with other persons *(Note 1)*	273,920,000	28.53%
Ms. So Choi	Interest of spouse *(Note 2)*	273,920,000	28.53%
Ms. Kwong Sui Sim	Interest of spouse *(Note 3)*	273,920,000	28.53%
Mr. Leung	Interest held jointly with other persons *(Note 1)*	273,920,000	28.53%
Ms. Chan Sui Yau Cathy	Interest of spouse *(Note 4)*	273,920,000	28.53%

Notes:

(1) Suntecli and Samwood with Mr. Lau, Mr. Fong and Mr. Leung, are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Concert Party Deed and accordingly each of them is deemed to be interested in the Shares held by each other. Pursuant to the Concert Party Deed, Mr. Lau, Mr. Fong, Mr. Leung, Suntecli and Samwood have been parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in the course of the Reorganisation and will continue to be parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) until such arrangement is terminated in writing by them pursuant to the Concert Party Deed.

(2) Ms. So Choi is the spouse of Mr. Lau and is deemed or taken to be interested in all the Shares in which Mr. Lau has, or is deemed to have, an interest for the purposes of the SFO.

(3) Ms. Kwong Sui Sim is the spouse of Mr. Fong and is deemed or taken to be interested in all the Shares in which Mr. Fong has, or is deemed to have, an interest for the purposes of the SFO.

(4) Ms. Chan Sui Yau Cathy is the spouse of Mr. Leung and is deemed or taken to be interested in all the Shares in which Mr. Leung has, or is deemed to have, an interest for the purposes of the SFO.

(5) The 273,920,000 shares (which were beneficially owned by Suntecli) were charged to Kingston Finance Limited to secure a loan granted to it. Kingston Finance Limited is indirectly wholly-owned by Mrs. Chu Yuet Wah.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than those disclosed under the paragraph headed "Share Option Scheme" and "Directors' and Chief Executive Officer's Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the year ended 31 March 2018 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 close associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period and up to the date of this annual report, no Directors are considered to have interests in the following businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors of the Company were appointed as Directors to represent the interests of the Company and/or the Group pursuant to the Listing Rules.

As the Board of Directors is independent of the boards of these entities, the Group is therefore capable of carrying on such business independently of, and at arm's length from the businesses of these entities.

All the independent non-executive Directors are delegated with the authority to review the non-competition undertakings (the "**Non-competition Undertakings**") given by Mr. Lau, Mr. Fong, Mr. Leung, Suntecli and Samwood during the Reporting Period. The independent non-executive Directors were not aware of any non-compliance of the Non-competition Undertakings during the Reporting Period.

Each of Mr. Lau, Mr. Fong, Mr. Leung, Suntecli and Samwood has confirmed that he/it had complied with the Non-competition Undertakings given by them during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's purchases and turnover attributable to major suppliers and customers during the Reporting Period and 31 March 2017 are as follows:

	2018 %	2017 %
Percentage of construction material purchases and construction subcontracted:		
From the largest supplier	7.97%	10.31%
From the five largest suppliers	22.09%	32.80%
Percentage of turnover		
From the largest customers	21.24%	18.02%
From the five largest customers	61.0%	50.24%

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors who owned more than 5% of the Company's share capital) had any interest in the five largest customers nor suppliers during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the Reporting Period.

PERMITTED INDEMNITY

During the Reporting Period, the Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company. The insurance covers the corresponding costs, charges, expenses and liabilities for legal action of corporate activities against them.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

EQUITY-LINKED AGREEMENT

During the Reporting Period, the Group did not enter into any equity-linked agreements.

DONATIONS

During the Reporting Period, the Group did not make any charitable donation (YR 2017: Nil).

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group had following continuing connected transactions:

Lease agreements

Name of suppliers	Term of lease agreements	Monthly rent HK$	Annual rent HK$
Chung Hang	1 March 2017 to 28 February 2019	52,000	624,000
Chung Wah	1 March 2017 to 28 February 2019	95,000	1,140,000
			1,764,000

Chung Hang Enterprises Holdings Limited ("**Chung Hang**") is owned by Mr. Lau as to approximately 94.65%. Mr. Lau is one of the Controlling Shareholders, an executive Director and the Chairman of the Board of the Group.

Chung Wah Investment Company Limited ("**Chung Wah**") is owned by Chung Hang and Mr. Lau as to 95.00% and 2.50%, respectively.

The transaction constitutes connected transactions and is subject to disclosure requirement under Chapter 14A of the Listing Rules.

The lease agreements were entered into on normal commercial terms and in the ordinary and usual course of business of the Group where each of the relevant percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules is less than 5% and the total fees payable under lease agreements are less than HK$3,000,000. Pursuant to Chapter 14A of the Listing Rules, the lease agreements are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The significant related party transactions entered into by the Group during the Reporting Period set out in the consolidated financial statements included transactions that constitute connected/continuing connected transactions for which the disclosure requirement under the Listing Rules have been complied with.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has retained the prescribed public float of at least 25% of the Company's total issued share capital as at the date of this annual report pursuant to the Listing Rules.

AUDITORS

The Company has nominated HLB Hodgson Impey Cheng Limited as the auditors of the Group during the Reporting Period until conclusion of the forthcoming AGM.

The consolidated financial statements for the years ended 31 March 2018 and 2017 have been audited by HLB Hodgson Impey Cheng Limited, who will retire and, being eligible, offer themselves for reappointment at the forthcoming AGM.

CORPORATE GOVERNANCE CODE

The Company had complied with all the applicable code provisions as set out in the Code contained in Appendix 14 to the Listing Rules during the Reporting Period.

The details of Group's compliance with the Code is set out in the Corporate Governance Report in this annual report.

On behalf of the Board
Lau Woon Si
Chairman

Hong Kong, 15 June 2018

INDEPENDENT AUDITORS' REPORT

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

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
WAN KEI GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wan Kei Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 55 to 107, which comprise the consolidated statements of financial position as at 31 March 2018, 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 financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Revenue and profit recognition of contracting service and gross amounts due from customers for contract work

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

Our audit procedures in relation to construction revenue, cost recognised and gross amounts due from/(to) customers for contract work mainly included:

- Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management;

- Obtaining an understanding from management about how the budgets were prepared and the respective stage of completion were determined;

- Reviewing the reasonableness of key judgements inherent in the budgets and assessing the reliability of budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis;

- Obtaining the progress payment applications submitted by the Company and progress certificates issued by customers to evaluate the reasonableness of percentage of completion as at year end and testing the revenue recognition based on percentage of completion and the calculations of contract costs and gross profits; and

- Checking the amounts due from/(to) customers for contract work by agreeing the amount of progress billings, on a sample basis, to billings issued to customers.

Recoverability of trade receivables and retention receivables

We identified the recoverability of trade receivables and retention receivables as a key audit matter due to the use of judgement and estimates in assessing the recoverability of trade receivables and retention receivables. In determining the allowance for trade receivables and retention receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables and retention receivables.	Our audit procedures in relation to recoverability of trade receivables and retention receivable mainly included: • Obtaining an understanding of how allowance for doubtful debts is estimated by the management and testing the aging analysis of the trade receivables to the source documents; • Reviewing the aging analysis of the trade receivables throughout the year to understand the settlement patterns by the customers; and • Assessing the reasonableness of recoverability of trade receivables with reference to the credit history including default or delays in payments, settlement records, subsequent settlements and aging analysis of each individual customer.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditors' report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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 of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Chan Ching Pang.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 15 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018 (in HK Dollars)

	Notes	2018	2017
Revenue	4(a)	**226,225,862**	235,519,620
Direct costs		**(253,873,415)**	(195,539,430)
Gross (loss)/profit		**(27,647,553)**	39,980,190
Other revenue	5	**6,294,664**	2,732,612
Other net income	6	**4,107,208**	471,358
General and administrative expenses		**(45,958,358)**	(40,625,997)
(Loss)/profit from operations		**(63,204,039)**	2,558,163
Finance costs	7(a)	**(7,132,100)**	(2,707,727)
Loss before taxation	7	**(70,336,139)**	(149,564)
Income tax credit/(expense)	8	**88,657**	(861,377)
Loss and total comprehensive income for the year		**(70,247,482)**	(1,010,941)
Attributable to:			
Equity shareholders of the Company		**(70,247,482)**	(1,010,941)
Non-controlling interests		**–**	–
Loss and total comprehensive income for the year		**(70,247,482)**	(1,010,941)
Loss per share			
Basic and diluted (HK cents)	12	**(7.32)**	(0.12)

Details of the dividends for the year are disclosed in note 11 to the consolidated financial statements.

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018 (in HK Dollars)

	Notes	2018	2017
Non-current assets			
Property, plant and equipment	13	**32,336,477**	53,067,955
Club memberships		**400,000**	400,000
Deferred tax assets	8	**–**	25,170
		32,736,477	53,493,125
Current assets			
Gross amounts due from customers for contract work	14	**32,242,675**	46,373,072
Trade and other receivables	16	**63,581,805**	84,724,294
Tax recoverable	8	**791,387**	4,591,155
Cash and cash equivalents	17(a)	**415,136,973**	412,347,245
		511,752,840	548,035,766
Current liabilities			
Gross amounts due to customers for contract work	14	**24,753,996**	22,936,722
Trade and other payables	18	**25,022,038**	47,138,409
Amount due to a related company	19	**96,787,500**	92,287,500
Amount due to a director	19	**55,264,637**	18,168,481
Provision for onerous contract		**442,795**	428,158
Deferred income	20	**1,126,283**	1,126,283
Obligations under finance leases	21	**5,416,903**	5,196,874
Tax payable	8	**1,777,698**	3,133,812
		210,591,850	190,416,239
Net current assets		**301,160,990**	357,619,527
Total assets less current liabilities		**333,897,467**	411,112,652
Non-current liabilities			
Obligations under finance leases	21	**3,271,088**	8,693,064
Long service payment liabilities		**384,405**	557,333
Deferred income	20	**656,999**	1,783,282
Deferred tax liabilities	8	**4,557,572**	4,804,088
		8,870,064	15,837,767
Net assets		**325,027,403**	395,274,885
Capital and reserves			
Share capital	23(c)	**9,600,000**	9,600,000
Reserves		**315,427,403**	385,674,885
Total equity attributable to equity shareholders of the Company		**325,027,403**	395,274,885

The consolidated financial statements on pages 55 to 107 were approved and authorised for issue by the Board of Directors on 15 June 2018 and are signed on its behalf by:

Lau Woon Si
Director

Zhang Zhenyi
Director

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018 (in HK Dollars)

		Attributable to equity shareholders of the Company					
	Note	Share capital	Share premium	Merger reserve (Note a)	Capital reserve (Note b)	Retained profits	Total equity
Balance at 1 April 2016		8,000,000	78,947,601	3,955,820	9,669,301	161,703,104	262,275,826
Changes in equity for 2017:							
Shares issued under placing	23(c)	1,600,000	136,000,000	–	–	–	137,600,000
Shares issued expenses		–	(3,590,000)	–	–	–	(3,590,000)
Loss and total comprehensive income for the year		–	–	–	–	(1,010,941)	(1,010,941)
Balance at 31 March 2017 and 1 April 2017		9,600,000	211,357,601	3,955,820	9,669,301	160,692,163	395,274,885
Changes in equity for 2018:							
Loss and total comprehensive income for the year		–	–	–	–	(70,247,482)	(70,247,482)
Balance at 31 March 2018		**9,600,000**	**211,357,601**	**3,955,820**	**9,669,301**	**90,444,681**	**325,027,403**

Notes:

(a) Merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the reorganisation of the Group (the "**Reorganisation**").

(b) The capital reserve represents the deemed capital contribution from its equity shareholders, Suntecli Company Limited, Samwood Global Limited, Mr. Leung Man Lun Stephen and Ms. Yeung Siu Lai Shirley, in relation to listing expenses reimbursed to the Company during the year ended 31 March 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018 (in HK Dollars)

	Notes	2018	2017
Cash (used in)/generated from operations	17(b)	**(38,330,274)**	26,860,647
Interest paid		**(56,964)**	–
Tax refund/(paid)		**2,310,965**	(2,804,726)
Net cash (used in)/generated from operating activities		**(36,076,273)**	24,055,921
Investing activities			
Payments for the purchase of property, plant and equipment		**(4,342,082)**	(17,888,070)
Proceeds from disposal of property, plant and equipment		**11,824,000**	81,201
Interest received		**2,065,010**	630,416
Net cash generated from/(used in) investing activities		**9,546,928**	(17,176,453)
Financing activities			
Capital element of finance lease rentals paid		**(5,201,947)**	(2,110,062)
Interest element of finance lease rentals paid		**(478,980)**	(251,746)
Net proceeds from sales and leaseback transactions		**–**	15,527,740
Proceeds from borrowing from a related company		**–**	90,000,000
Proceeds from borrowing from a director		**35,000,000**	18,000,000
Proceeds from issue of shares under placing		**–**	137,600,000
Expenses on issue of shares		**–**	(3,590,000)
Net cash generated from financing activities		**29,319,073**	255,175,932
Net increase in cash and cash equivalents		**2,789,728**	262,055,400
Cash and cash equivalents at the beginning of the year		**412,347,245**	150,291,845
Cash and cash equivalents at the end of the year	17(a)	**415,136,973**	412,347,245

The accompanying notes form part of these consolidated financial statements.

1. GENERAL INFORMATION

Wan Kei Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 7 October 2014 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company's registered office is Clifton House, 75 Fort Street, P.O.Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Room 1802, 18th Floor, Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong. The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 15 to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2018 comprise the Company and its subsidiaries (together referred to as the "**Group**").

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis, except certain assets and liabilities are stated at their fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 3.

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 17(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the equity shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the equity shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit of loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interest and other contractual obligation towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset. The fair value is the transaction price unless fair value can be more reliably estimated using valuation technique whose variables include only data from observable markets. Cost includes attributable transaction costs.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)), unless the investment is classified as held for sale.

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (see note 2(i)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

• Furniture and fixtures	3-5 years
• Leasehold improvements	5 years
• Motor vehicles	5 years
• Machinery	4-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Club memberships

Club memberships are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)).

Amortisation of club memberships with finite useful life is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Both the period and method of amortisation are reviewed annually.

Club memberships are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set above.

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iv) Sales and leaseback arrangement resulting in finance lease

A sales and leaseback arrangement which results in a finance lease is a means whereby the lessor provides finance to the lessee with the asset as security. To reflect the substance of the transaction, any excess of sales proceeds over the carrying amount of the asset, or any deficit of sales proceeds lower than the carrying amount of the asset, is deferred and amortised as an adjustment to amortised over the lease period.

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(i) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(i) Impairment of assets – Continued

(i) Impairment of trade and other receivables – Continued

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment and Club memberships may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(j) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(s)(i). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Gross amounts due from customers for contract work" (as an asset) or the "Gross amounts due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are included under "Trade and other payables".

(k) Ground investigation services contracts

Contract revenue on rendering of ground investigation services comprises the contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads. The accounting policy for service revenue is set out in note 2(s)(ii). When the outcome of a service contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a service contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Service contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statements of financial position as the "Gross amounts due from customers for contract work" (as an asset) or the "Gross amounts due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are included under "Trade and other payables".

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(p) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(q) Income tax – Continued

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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, whose existence 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.

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Construction contracts revenue

Revenue from construction contracts is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established according to the progress payment application (by reference to the amount of completed works confirmed by in-house surveyor) submitted to the customers.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

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

(ii) Ground investigation services revenue

Revenue from ground investigation services is recognised based on the stage of completion of the service contracts, provided that the stage of service contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a service contract is established according to progress certificates issued by customers.

Variations in contract work, claims and incentive payments are included in service contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

When the outcome of a service contract cannot be estimated reliably, revenue is recognised only to the extent of service contract costs incurred that it is probable will be recoverable.

(iii) Rental income from lease of machinery

Rental income receivable from lease of machinery is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) 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 the key management personnel of the Group or the Group's parent.

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

(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 employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

No geographic information is shown as the revenue and (loss)/profit from operations of the Group are primarily derived from activities in Hong Kong.

3. ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(ii) Impairment of trade receivables

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivables balance, credit-worthiness of the customer and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

3. ACCOUNTING JUDGEMENT AND ESTIMATES – CONTINUED

(b) Sources of estimation uncertainty

Construction contracts and ground investigation services contracts

As explained in policy notes 2(j), 2(k), 2(s)(i) and 2(s)(ii), revenue recognition on a project is dependent on management's estimation of the total outcome of the construction and service contracts, with reference to the progress payment applications submitted by the Company and progress certificates issued by customers respectively. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction and service contract as the contract progresses. Budgeted construction and service costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction and service costs by comparing the budgeted amounts to the actual costs incurred.

Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction and service contracts and the corresponding profit taken.

Management base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are foundation construction, ground investigation services and financial services.

Revenue represents revenue from construction contracts and from ground investigation services. The amount of each significant category of revenue is as follows:

	2018	2017
Revenue from construction contracts	**190,937,542**	180,768,568
Revenue from ground investigation services	**35,288,320**	54,751,052
	226,225,862	235,519,620

For the years ended 31 March 2018 and 2017, there were 3 and 2 customers which individually contributed over 10% of the Group's revenue in relation to construction contracts, respectively. The aggregate amount of revenue from these customers amounted to 47% and 24% of the Group's total revenue, respectively.

4. REVENUE AND SEGMENT REPORTING – CONTINUED

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Foundation construction: this segment provides foundation construction works to customers in Hong Kong.
- Ground investigation services: this segment provides ground investigation services to customers in Hong Kong.
- Financial services: this segment provides investment, financing and money lending services.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's revenue, (loss)/profit from operations and assets were derived from activities outside Hong Kong.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all current and non-current assets with the exception of unallocated head office and corporate assets, current tax recoverable and deferred tax assets, if any. Segment liabilities include all current and non-current liabilities with the exception of current tax payable and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. The measure used for reporting segment (loss)/profit is (loss)/profit before taxation.

4. REVENUE AND SEGMENT REPORTING – CONTINUED

(b) Segment reporting – Continued

(i) Segment results, assets and liabilities – Continued

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2018 and 2017 is set out below:

	Year ended 31 March 2018			
	Foundation construction	**Ground investigation services**	**Financial services**	**Total**
Revenue from external customers	**190,937,542**	**35,288,320**	**–**	**226,225,862**
Reportable segment revenue	**190,937,542**	**35,288,320**	**–**	**226,225,862**
Reportable segment gross (loss)/profit	**(35,438,095)**	**7,790,542**	**–**	**(27,647,553)**
Reportable segment loss	**(56,983,796)**	**(33,872)**	**(6,404,675)**	**(63,422,343)**
Interest income from bank deposit	**100**	**–**	**2,018,766**	**2,018,866**
Interest expenses	**2,632,100**	**–**	**–**	**2,632,100**
Depreciation for the year	**15,518,152**	**919,713**	**597,147**	**17,035,012**
Reportable segment assets	**228,591,607**	**23,391,628**	**399,332,929**	**651,316,164**
Additions to non-current segment assets during the year	**744,672**	**38,000**	**3,731,140**	**4,513,812**
Reportable segment liabilities	**111,975,557**	**4,097,628**	**377,215,269**	**493,288,454**

4. REVENUE AND SEGMENT REPORTING – CONTINUED

(b) Segment reporting – Continued

(i) Segment results, assets and liabilities – Continued

	Year ended 31 March 2017			
	Foundation construction	Ground investigation services	Financial services	Total
Revenue from external customers	180,768,568	54,751,052	–	235,519,620
Reportable segment revenue	180,768,568	54,751,052	–	235,519,620
Reportable segment gross profit	24,085,466	15,894,724	–	39,980,190
Reportable segment (loss)/profit	(1,099,912)	7,225,337	(2,453,666)	3,671,759
Interest income from bank deposit	215	–	100,041	100,256
Interest expenses	420,227	–	–	420,227
Depreciation for the year	17,726,549	995,136	3,527	18,725,212
Reportable segment assets	266,405,075	30,271,486	310,222,280	606,898,841
Additions to non-current segment assets during the year	42,558,165	845,999	48,516	43,452,680
Reportable segment liabilities	189,202,761	9,144,547	282,675,945	481,023,253

4. REVENUE AND SEGMENT REPORTING – CONTINUED

(b) Segment reporting – Continued

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2018	2017
Revenue		
Reportable segment revenue and consolidated revenue (note 4(a))	**226,225,862**	235,519,620
Profit or loss		
Reportable segment (loss)/profit	**(63,422,343)**	3,671,759
Unallocated head office and corporate expenses	**(6,913,796)**	(3,821,323)
Consolidated loss before taxation	**(70,336,139)**	(149,564)
Assets		
Reportable segment assets	**651,316,164**	606,898,841
Elimination	**(108,648,966)**	(282,876,755)
	542,667,198	324,022,086
Tax recoverable	**791,387**	4,591,155
Deferred tax assets	**–**	25,170
Unallocated head office and corporate assets	**1,030,732**	272,890,480
Consolidated total assets	**544,489,317**	601,528,891
Liabilities		
Reportable segment liabilities	**493,288,454**	481,023,253
Elimination	**(376,985,310)**	(282,876,755)
	116,303,144	198,146,498
Tax payable	**1,777,698**	3,133,812
Deferred tax liabilities	**4,473,233**	4,804,088
Unallocated head office and corporate liabilities	**96,907,839**	169,608
Consolidated total liabilities	**219,461,914**	206,254,006

5. OTHER REVENUE

	2018	2017
Rental income from lease of machinery	**2,682,270**	474,040
Bank interest income	**2,018,866**	730,416
Insurance claims	**573,821**	840,527
Others	**1,019,707**	687,629
	6,294,664	2,732,612

6. OTHER NET INCOME

	2018	2017
Gain/(loss) on disposal of property, plant and equipment	**3,013,361**	(5,533)
Amortisation of deferred income	**1,126,283**	469,285
Net foreign exchange (loss)/gain	**(32,436)**	7,606
	4,107,208	471,358

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	2018	2017
(a) Finance costs		
Interest on borrowing from a related company	**4,500,000**	2,287,500
Interest on borrowing from a director	**2,096,156**	168,481
Interest on bank overdraft	**56,964**	–
Finance charges on obligations under finance leases	**478,980**	251,746
	7,132,100	2,707,727
(b) Staff costs (including directors' remuneration)		
Contribution to defined contribution retirement plans	**1,952,215**	2,028,082
Salaries, wages and other benefits	**65,652,121**	68,395,712
	67,604,336	70,423,794
Add: Amounts included in gross amounts due from/(to) customers for contract work	**3,072,539**	(1,893,042)
	70,676,875	68,530,752

7. LOSS BEFORE TAXATION – CONTINUED

	2018	2017
(c) Other items		
Depreciation	**16,434,651**	19,534,770
Add: Amounts included in gross amounts due from/(to) customers for contract work	**600,361**	(809,558)
	17,035,012	18,725,212
Operating lease charges		
– hire of machinery	**14,749,870**	8,914,661
– hire of properties	**6,118,959**	2,907,835
Auditors' remuneration	**800,000**	760,000
(Gain)/loss on disposal of property, plant and equipment	**(3,013,361)**	5,533
Net foreign exchange loss/(gain)	**32,436**	(7,606)

8. INCOME TAX (CREDIT)/EXPENSE

(a) Income tax (credit)/expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2018	2017
Current tax		
Provision for Hong Kong Profits Tax for the year	**131,401**	1,207,358
Under-provision in respect of prior years	**1,288**	25,603
	132,689	1,232,961
Current tax – Overseas		
Provision for the year	**–**	102,384
Under-provision in respect of prior years	**–**	5,636
	–	108,020
Deferred tax		
Origination and reversal of temporary differences	**(221,346)**	(479,604)
	(88,657)	861,377

8. INCOME TAX (CREDIT)/EXPENSE – CONTINUED

(a) Income tax (credit)/expense in the consolidated statement of profit or loss and other comprehensive income represents: – Continued

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 March 2018 and 2017.

(iii) The provision for Macau Complementary Tax is calculated at 12% of the estimated assessable profits for years ended 31 March 2018 and 2017.

(b) Reconciliation between income tax (credit)/expense and accounting loss before taxation at applicable tax rates:

	2018	2017
Loss before taxation	**(70,336,139)**	(149,564)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**(11,604,221)**	(23,027)
Tax effect of non-deductible expenses	**2,895,352**	1,321,976
Tax effect of non-taxable income	**(1,029,333)**	(181,408)
Tax effect of temporary differences not recognised	**2,295,721**	(495,152)
Tax effect of unused tax losses not recognised	**7,573,882**	779,353
Statutory tax concession	**–**	(92,000)
Under-provision in respect of prior years	**1,288**	31,239
Others	**(221,346)**	(479,604)
Actual tax (credit)/expense	**(88,657)**	861,377

8. INCOME TAX (CREDIT)/EXPENSE – CONTINUED

(c) Income tax in the consolidated statement of financial position represents:

(i) Current taxation

	2018	2017
Provision for Hong Kong Profits Tax for the year	**131,401**	1,207,358
Provisional Profits Tax paid	**(1,402,607)**	(4,922,218)
	(1,271,206)	(3,714,860)
Balance of Hong Kong Profits Tax provision relating to prior years	**2,257,517**	2,155,133
Provision for overseas tax	**–**	102,384
	986,311	(1,457,343)
Representing:		
Tax recoverable	**(791,387)**	(4,591,155)
Tax payable	**1,777,698**	3,133,812
	986,311	(1,457,343)

(ii) Deferred tax assets and liabilities recognised

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

Deferred tax arising from:	**Depreciation allowances in excess of the related depreciation**	**Others**	**Total**
At 1 April 2016	(5,320,396)	61,874	(5,258,522)
Credited/(charged) to profit or loss	516,308	(36,704)	479,604
At 31 March 2017 and 1 April 2017	(4,804,088)	25,170	(4,778,918)
Credited/(charged) to profit or loss	330,855	(109,509)	221,346
At 31 March 2018	**(4,473,233)**	**(84,339)**	**(4,557,572)**

8. INCOME TAX (CREDIT)/EXPENSE – CONTINUED

(c) Income tax in the consolidated statement of financial position represents: – Continued

(ii) Deferred tax assets and liabilities recognised – Continued

Reconciliation to the consolidated statement of financial position is as follows:

	2018	2017
Net deferred tax assets recognised in the consolidated statement of financial position	**–**	25,170
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(4,557,572)**	(4,804,088)
	(4,557,572)	(4,778,918)

(d) In accordance with the accounting policy set out in note 2(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$45,902,000 (2017: HK$4,723,000) as it is uncertain that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

9. DIRECTORS' REMUNERATION

Directors' remuneration during the years ended 31 March 2018 and 2017 which was included in the staff costs as disclosed in note 7(b) is as follows:

Year ended 31 March 2018

	Directors' fee	Discretionary bonus	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
Executive Directors					
Mr. Lau Woon Si *(Chairman)*	–	500,000	1,560,000	–	2,060,000
Mr. Fong Hon Hung *(Chief executive officer)*	–	400,000	1,495,000	18,000	1,913,000
Mr. Chan Chi Ming Tony (Note (i))	–	108,333	1,300,000	18,000	1,426,333
Mr. Cheung Lap Kei (Note (iii))	–	120,000	1,135,418	15,000	1,270,418
Mr. Zhang Zhenyi (Note (xi))	130,968	–	70,000	–	200,968
Mr. Chan Kwan (Note (xii))	–	–	51,075	1,500	52,575
Mr. Yan Shuai (Note (xii))	51,075	–	–	–	51,075
	182,043	1,128,333	5,611,493	52,500	6,974,369
Independent Non-executive Directors					
Ms. Wang Qing (Note (ii))	420,000	–	–	–	420,000
Mr. Lo Wa Kei Roy (Note (vii))	240,000	–	–	–	240,000
Ms. Li Zhongye Cindy (Note (vii))	144,000	–	–	–	144,000
Mr. Leung Ka Fai Nelson (Note (x))	106,452	–	–	–	106,452
	910,452	–	–	–	910,452
Total	1,092,495	1,128,333	5,611,493	52,500	7,884,821

9. DIRECTORS' REMUNERATION – CONTINUED

Year ended 31 March 2017

	Directors' fee	Discretionary bonus	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
Executive Directors					
Mr. Lau Woon Si *(Chairman)*	–	500,000	1,560,000	–	2,060,000
Mr. Fong Hon Hung *(Chief executive officer)*	–	400,000	1,506,500	18,000	1,924,500
Mr. Lau Chi Hing (Note (v))	–	326,882	1,296,409	14,709	1,638,000
Mr. Lau Chi Shing (Note (iv))	–	227,420	807,742	13,645	1,048,807
Mr. Leung Man Lun Stephen (Note (iv))	–	303,226	1,116,129	–	1,419,355
Mr. Chan Chi Ming Tony (Note (i))	–	–	455,000	7,500	462,500
Mr. Cheung Lap Kei (Note (iii))	–	–	352,258	4,500	356,758
	–	1,757,528	7,094,038	58,354	8,909,920
Independent Non-executive Directors					
Mr. Law Yiu Sing (Note (ix))	135,097	–	–	–	135,097
Mr. Ong Chi King (Note (viii))	132,387	–	–	–	132,387
Mr. Ho Ho Ming (Note (vi))	135,097	–	–	–	135,097
Ms. Wang Qing (Note (ii))	118,548	–	–	–	118,548
Mr. Lo Wa Kei Roy (Note (vii))	15,484	–	–	–	15,484
Ms. Li Zhongye Cindy (Note (vii))	9,290	–	–	–	9,290
	545,903	–	–	–	545,903
Total	545,903	1,757,528	7,094,038	58,354	9,455,823

During the years ended 31 March 2018 and 2017, none of the directors has granted share options, in respect of their services to the Group under the share option of the Group.

During the years ended 31 March 2018 and 2017, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the chief executive officer nor any of the directors waived any emoluments during the years ended 31 March 2018 and 2017.

9. DIRECTORS' REMUNERATION – CONTINUED

Notes:

(i) Appointed as executive director of the Company on 25 November 2016.

(ii) Appointed as independent non-executive director of the Company on 20 December 2016.

(iii) Appointed and resigned as executive director of the Company on 3 January 2017 and 5 January 2018, respectively.

(iv) Resigned as executive directors of the Company on 3 January 2017.

(v) Resigned as executive director of the Company on 25 January 2017.

(vi) Resigned as independent non-executive director of the Company on 1 March 2017.

(vii) Appointed as independent non-executive directors of the Company on 8 March 2017.

(viii) Resigned as independent non-executive director of the Company on 8 March 2017.

(ix) Resigned as independent non-executive director of the Company on 8 March 2017.

(x) Appointed as independent non-executive director of the Company on 5 July 2017.

(xi) Appointed as executive director of the Company on 5 January 2018.

(xii) Appointed as executive directors of the Company on 13 March 2018.

10. EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid individuals of the Group, two (2017: four) of these are directors for the year ended 31 March 2018, whose emoluments are disclosed in note 9. The emoluments in respect of the remaining individuals are as follows:

	2018	2017
Salaries, allowances and benefits in kind	**4,332,167**	1,390,000
Discretionary bonus	**1,000,000**	200,000
Retirement scheme contributions	**36,000**	18,000
	5,368,167	1,608,000

During the years ended 31 March 2018 and 2017, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) or other directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

10. EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS – CONTINUED

The emoluments of the three (2017: one) individuals with the highest emoluments are within the following bands:

	2018 Number of individuals	2017 Number of individuals
Nil – 1,000,000	**–**	–
1,000,001 – 1,500,000	**–**	–
1,500,001 – 2,000,000	**3**	1

11. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 March 2018. No dividend has been declared or paid by the Company for the years ended 31 March 2018 and 2017.

12. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share attributable to equity shareholders of the Company is based on the following:

	2018	2017
Loss		
Loss attributable to equity shareholders of the Company	**(70,247,482)**	(1,010,941)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**960,000,000**	846,465,753

For the year ended 31 March 2018, the calculation of the basic loss per share attributable to equity shareholders of the Company was based on (i) the loss attributable to equity shareholders of the Company and (ii) the weighted average number of ordinary shares.

For the year ended 31 March 2017, the calculation of the basic loss per share attributable to equity shareholders of the Company was based on (i) the loss attributable to equity shareholders of the Company and (ii) the weighted average number of ordinary shares and the effects of 160,000,000 shares issued under placing as described in note 23(c).

(b) Diluted loss per share

There were no diluted potential shares in existence during the years ended 31 March 2018 and 2017.

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery	Leasehold improvements	Furniture and fixtures	Motor vehicles	Total
Cost:					
At 1 April 2016	136,527,818	395,880	1,117,960	9,390,428	147,432,086
Additions	40,151,332	–	97,219	3,204,129	43,452,680
Disposals	(40,875,692)	–	–	(260,000)	(41,135,692)
At 31 March 2017	135,803,458	395,880	1,215,179	12,334,557	149,749,074
At 1 April 2017	135,803,458	395,880	1,215,179	12,334,557	149,749,074
Additions	675,000	2,555,008	1,283,804	–	4,513,812
Disposals	(19,532,306)	–	–	(369,685)	(19,901,991)
At 31 March 2018	116,946,152	2,950,888	2,498,983	11,964,872	134,360,895
Accumulated depreciation:					
At 1 April 2016	101,636,701	395,880	834,775	2,706,801	105,574,157
Charge for the year	17,200,463	–	104,999	2,229,308	19,534,770
Written back on disposals	(28,185,208)	–	–	(242,600)	(28,427,808)
At 31 March 2017	90,651,956	395,880	939,774	4,693,509	96,681,119
At 1 April 2017	90,651,956	395,880	939,774	4,693,509	96,681,119
Charge for the year	13,386,220	383,251	318,465	2,346,715	16,434,651
Written back on disposals	(10,949,639)	–	–	(141,713)	(11,091,352)
At 31 March 2018	93,088,537	779,131	1,258,239	6,898,511	102,024,418
Net book value:					
At 31 March 2017	45,151,502	–	275,405	7,641,048	53,067,955
At 31 March 2018	**23,857,615**	**2,171,757**	**1,240,744**	**5,066,361**	**32,336,477**

13. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Assets held under finance leases

Certain machinery of the Group with an aggregate net book value of HK$11,466,667 as at 31 March 2018 (2017: HK$14,666,667), are accounted for as finance leases pursuant to sales and leaseback transactions with lease periods of 36 months.

During the years ended 31 March 2018 and 2017, additions to machinery of the Group financed by new finance leases were nil and HK$16,000,000 respectively.

14. GROSS AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2018	2017
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	**251,219,638**	193,541,765
Less: Progress billings received and receivable	**(218,976,963)**	(147,168,693)
	32,242,675	46,373,072
Gross amounts due to customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	**389,909,472**	395,882,719
Less: Progress billings received and receivable	**(414,663,468)**	(418,819,441)
	(24,753,996)	(22,936,722)

The gross amounts due from customers for contract work at 31 March 2018 that is expected to be recovered after more than one year is HK$17,295,710 (2017: HK$38,422,936). The gross amounts due to customers for contract work at 31 March 2018 that is expected to be settled after more than one year is HK$2,139,023 (2017: HK$902,955).

15. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	**Place of incorporation and business**	**Particulars of issue and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by subsidiary**	**Principal activity**
Hong Kong Wan Wai Company Limited	BVI	Ordinary shares US$10,000	100%	100%	–	Investment holding
Chung Shun Boring Engineering Company Limited	Hong Kong	Ordinary shares HK$700,000	100%	–	100%	Ground investigation services
Wan Kei Geotechnical Engineering Company Limited	Hong Kong	Ordinary shares HK$10,000,000	100%	–	100%	Construction site foundation engineering and bore pile pre-drilling works
Wan Kei Machinery Company Limited	Hong Kong	Ordinary shares HK$100	100%	–	100%	Machinery leasing
Wan Kei (Macau) Civil And Foundation Construction Company Limited*	Macau	2 shares of MOP 14,000	100%	–	100%	Construction site foundation engineering and bore pile pre-drilling works
Ultimate Proud Limited	BVI	Ordinary shares US$1	100%	100%	–	Investment holding
Fortune Shiny (Hong Kong) Limited	Hong Kong	Ordinary shares HK$1,000,000	100%	–	100%	Not yet commence business
Infinite Time Holdings Limited	BVI	Ordinary shares US$1	100%	100%	–	Investment holding
Sino Topper Holdings Limited	Hong Kong	Ordinary shares HK$20,000,000	100%	–	100%	Not yet commence business
Prestige Victory Limited	BVI	Ordinary shares US$1	100%	100%	–	Investment holding
Topper Summit Limited	Hong Kong	Ordinary shares HK$5,000,000	100%	–	100%	Not yet commence business
Delight Vision Global Limited	BVI	Ordinary shares US$1	100%	100%	–	Investment holding
Shiny Wiser Limited	Hong Kong	Ordinary shares HK$5,000,000	100%	–	100%	Not yet commence business
Elegant Top Holdings Limited	BVI	Ordinary shares US$1	100%	100%	–	Investment holding
Success Mount Investments Limited	BVI	Ordinary shares US$1	100%	–	100%	Not yet commence business

* Company not audited by HLB Hodgson Impey Cheng Limited ("HLB"). The financial statements of the subsidiary not audited by HLB reflect total net assets and total revenue constituting approximately 0.01% and nil respectively of the related consolidated totals.

16. TRADE AND OTHER RECEIVABLES

	2018	2017
Trade debtors	**9,835,763**	32,773,008
Deposits, prepayments and other receivables (note (i))	**9,551,259**	10,815,147
Retention receivables (note (ii))	**44,194,783**	41,136,139
	63,581,805	84,724,294

Notes:

(i) Except for the amounts of HK$1,236,982 and HK$300,364 as at 31 March 2018 and 2017 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.

(ii) Except for the amounts HK$10,418,964 and HK$5,755,259 as at 31 March 2018 and 2017 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the date of progress certificates issued by customers and net of allowance for doubtful debts, is as follows:

	2018	2017
Within 1 month	**4,895,493**	24,292,896
1 to 2 months	**899,689**	700,940
2 to 3 months	**414,610**	2,745,928
Over 3 months	**3,625,971**	5,033,244
	9,835,763	32,773,008

Trade debtors are normally due within 30 to 67 days from the payment application date or 0 to 60 days from the certificate date. Further details on the Group's credit policy are set out in note 24(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment losses are written off against trade debtors directly (see note 2(i)(i)).

At 31 March 2018 and 2017, none of the trade debtors was individually determined to be impaired.

16. TRADE AND OTHER RECEIVABLES – CONTINUED

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2018	2017
Neither past due nor impaired	**3,147,207**	18,160,426
Less than 1 month past due	**2,629,804**	3,826,436
1 to 3 months past due	**18,171**	641,298
Over 3 months past due	**4,040,581**	10,144,848
	9,835,763	32,773,008

Receivables which were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables which were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security over this balance.

17. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2018	2017
Cash at bank and in hand	**415,136,973**	412,347,245

17. CASH AND CASH EQUIVALENTS – CONTINUED

(b) Reconciliation of loss before taxation to cash (used in)/generated from operations:

	Notes	2018	2017
Operating activities			
Loss before taxation		**(70,336,139)**	(149,564)
Adjustments for:			
Interest on borrowing from a related company	7(a)	**4,500,000**	2,287,500
Interest on borrowing from a director	7(a)	**2,096,156**	168,481
Interest on bank overdraft	7(a)	**56,964**	–
Finance charges on obligations under finance leases	7(a)	**478,980**	251,746
Depreciation	7(c)	**16,434,651**	19,534,770
Bank interest income	5	**(2,018,866)**	(730,416)
Amortisation of deferred income	6	**(1,126,283)**	(469,285)
(Gain)/loss on disposal of property, plant and equipment	6	**(3,013,361)**	5,533
Reversal of long service payment liabilities		**(172,928)**	–
Changes in working capital:			
Decrease in trade and other receivables		**21,096,345**	11,962,428
Decrease in gross amounts due from customers for contract work		**14,130,397**	4,397,820
(Decrease)/increase in trade and other payables		**(22,288,101)**	2,452,188
Increase/(decrease) in gross amounts due to customers for contract work		**1,817,274**	(13,278,712)
Increase in provision for onerous contract		**14,637**	428,158
Cash (used in)/generated from operations		**(38,330,274)**	26,860,647

17. CASH AND CASH EQUIVALENTS – CONTINUED

(c) Reconciliation of liabilities arising from financing activities

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

	Obligations under finance leases	Amount due to a director	Amount due to a related company	Total
At 1 April 2017	13,889,938	18,168,481	92,287,500	124,345,919
Changes from financing cash flows:				
Capital element of finance lease rentals paid	(5,201,947)	–	–	(5,201,947)
Interest element of finance lease rentals paid	(478,980)	–	–	(478,980)
Proceeds from loan from a director	–	35,000,000	–	35,000,000
Total changes from financing cash flows	(5,680,927)	35,000,000	–	29,319,073
Other changes:				
Finance charges on obligations under finance leases	478,980	–	–	478,980
Interest on borrowing from a director	–	2,096,156	–	2,096,156
Interest on borrowing from a related company	–	–	4,500,000	4,500,000
Total other changes	478,980	2,096,156	4,500,000	7,075,136
At 31 March 2018	**8,687,991**	**55,264,637**	**96,787,500**	**160,740,128**

18. TRADE AND OTHER PAYABLES

	2018	2017
Trade payables	**16,201,723**	29,866,250
Retention payables (note (ii))	**3,014,113**	2,110,362
Other payables and accruals	**5,806,202**	15,161,797
	25,022,038	47,138,409

Notes:

(i) Save as disclosed in note 18(ii) below, all trade and other payables are expected to be settled within one year.

(ii) Except for the amounts of HK$1,036,494 and HK$612,938 as at 31 March 2018 and 2017 respectively, all of the remaining balances are expected to be settled within one year.

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

	2018	2017
Within 1 month	**7,444,961**	16,069,643
1 to 2 months	**6,081,361**	10,589,890
2 to 3 months	**208,620**	1,155,564
Over 3 months	**2,466,781**	2,051,153
	16,201,723	29,866,250

19. AMOUNT DUE TO A RELATED COMPANY/A DIRECTOR

The amount due to a related company, Bright Dynasty Trading Limited ("**Bright Dynasty**"), a related company which 100% beneficially owned by Mr. Fong Hon Hung ("**Mr. Fong**"), was unsecured, bearing interest rate at 5% per annum and repayable on demand. Mr. Fong who is the executive director and chief executive officer of the Group is also the director of Bright Dynasty.

The amount due to a director, Mr. Lau Woon Si ("**Mr. Lau**"), was unsecured, bearing interest rate at 5% per annum and repayable on demand.

20. DEFERRED INCOME

	2018	2017
At 1 April	2,909,565	–
Additions	–	3,378,850
Credited to profit or loss	(1,126,283)	(469,285)
At 31 March	1,783,282	2,909,565
Less: current portion of deferred income	(1,126,283)	(1,126,283)
	656,999	1,783,282

Deferred income mainly represents deferred differences arising from the sales and leaseback arrangement resulting in finance leases, which would be recognised as income on a straight-line basis over the lease periods of 36 months.

21. OBLIGATIONS UNDER FINANCE LEASES

	2018		2017	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
Within 1 year	5,416,903	5,697,216	5,196,874	5,684,568
After 1 year but within 2 years	3,271,088	3,320,861	5,420,197	5,684,568
After 2 years but within 5 years	–	–	3,272,867	3,320,060
	3,271,088	3,320,861	8,693,064	9,004,628
	8,687,991	9,018,077	13,889,938	14,689,196
Less: total future interest expenses		(330,086)		(799,258)
Present value of lease obligations		8,687,991		13,889,938

22. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

23. CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below.

Company

	Note	Share premium	Capital reserve	Special reserve	(Accumulated loss)/ Retained profits	Total
Balance at 1 April 2016		78,947,601	9,669,301	143,726,131	(9,365,057)	222,977,976
Changes in equity for 2017:						
Shares issued under placing	23(c)	136,000,000	–	–	–	136,000,000
Shares issued expenses		(3,590,000)	–	–	–	(3,590,000)
Total comprehensive income for the year		–	–	–	88,491,727	88,491,727
Balance at 31 March 2017 and 1 April 2017		211,357,601	9,669,301	143,726,131	79,126,670	443,879,703
Changes in equity for 2018:						
Total comprehensive income for the year		–	–	–	(131,245,261)	(131,245,261)
Balance at 31 March 2018	27	**211,357,601**	**9,669,301**	**143,726,131**	**(52,118,591)**	**312,634,442**

(b) Special reserve

Special reserve represents the difference between the equity of Hong Kong Wan Wai Company Limited acquired pursuant to the Reorganisation on 9 May 2015 over the nominal value of the Company's shares issued in exchange therefore.

23. CAPITAL, RESERVES AND DIVIDENDS – CONTINUED

(c) Share capital

	Number of ordinary shares	Amount
		HK$
Ordinary shares of HK$0.01 each authorised:		
At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	**2,000,000,000**	**20,000,000**
Ordinary shares, issued and fully paid:		
At 1 April 2016	800,000,000	8,000,000
Shares issued under placing (note (i))	160,000,000	1,600,000
At 31 March 2017, 1 April 2017 and 31 March 2018	**960,000,000**	**9,600,000**

Note:

(i) On 16 December 2016, 160,000,000 ordinary shares of HK$0.01 each were issued to the public at a price of HK$0.86 per share for cash totaling HK$137,600,000 by way of placing. The excess of issue price over the par value of the shares, net of issuance costs of approximately HK$132,410,000, were credited to the share premium account of the Company.

(d) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders. No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

Merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the Reorganisation.

(iii) Capital reserve

The capital reserve represents the deemed capital contribution from its shareholder, Suntecli, Samwood, Mr. Leung and Ms. Yeung Siu Lai Shirley, in relation to listing expenses reimbursed to the Company during the year ended 31 March 2016.

23. CAPITAL, RESERVES AND DIVIDENDS – CONTINUED

(e) Distributability of reserves

At 31 March 2018, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately HK$168,908,000 (2017: approximately HK$300,154,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its construction business, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes gross amounts due to customers for contract work, trade and other payables, amount due to a related company, amount due to a director, obligations under finance leases and long services payment liabilities) less cash and cash equivalents. Adjusted capital comprises all components of equity.

The Group's adjusted net debt-to-capital ratio at 31 March 2018 and 2017 is as follows:

	2018	2017
Total debts	**210,900,567**	194,978,383
Less: Cash and cash equivalents	**(415,136,973)**	(412,347,245)
Adjusted net debt	**N/A**	N/A
Total equity	**325,027,403**	395,274,885
Net debt-to-capital ratio	**N/A**	N/A

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions and counterparties will fail to meet their obligations.

In respect of trade and other receivables, individual credit evaluations are performed as part of the acceptance procedures for new construction contracts. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 67 days from the payment application date or 0 to 60 days from the certificate date. Normally, the Group does not obtain collateral from customers.

At the end of the reporting period, the Group has concentration of credit risk in a few customers. In view of their credit standing, good payment record and long established relationships with the Group, management does not consider the Group's credit risk to be significant. At 31 March 2018 and 2017, 10% and 20% of the total trade debtors (including retention receivables) was due from the Group's largest customer respectively and 18% and 64% of the total trade debtors (including retention receivables) was due from the Group's five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

(b) Liquidity risk

Individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS – CONTINUED

(b) Liquidity risk – Continued

The following table details the remaining contractual maturities as at 31 March 2018 and 2017 of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at 31 March 2018 and 2017) and the earliest date the Group can be required to pay:

	At 31 March 2018					
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
Trade and other payables	**25,022,038**	**25,022,038**	**23,985,544**	**1,036,494**	**–**	**–**
Amount due to a related company	**96,787,500**	**97,162,500**	**97,162,500**	**–**	**–**	**–**
Amount due to a director	**55,264,637**	**55,485,470**	**55,485,470**	**–**	**–**	**–**
Obligations under finance leases	**8,687,991**	**9,018,077**	**5,697,216**	**3,320,861**	**–**	**–**
	185,762,166	**186,688,085**	**182,330,730**	**4,357,355**	**–**	**–**

	At 31 March 2017					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Trade and other payables	47,138,409	47,138,409	46,525,471	612,938	–	–
Amount due to a related company	92,287,500	94,500,000	94,500,000	–	–	–
Amount due to a director	18,168,481	18,900,000	18,900,000	–	–	–
Obligations under finance leases	13,889,938	14,689,196	5,684,568	5,684,568	3,320,060	–
	171,484,328	175,227,605	165,610,039	6,297,506	3,320,060	–

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS – CONTINUED

(c) Interest rate risk

The Group's interest rate risk arises primarily from obligations under finance leases, which issued at variable rates expose the Group to cash flow interest rate risk.

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the year ended 31 March 2018, however, the management of the Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest risk. At 31 March 2017, the Group did not hold any assets and liabilities which are exposed to significant interest risk.

The following table details the profile of the Group's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the end of the reporting period. The interest rate and maturity information of the Group's borrowings are disclosed in note 19 and 21.

	2018	2017
Fixed rate borrowings:		
Amount due to a related company	**96,787,500**	92,287,500
Amount due to a director	**55,264,637**	18,168,481
	152,052,137	110,455,981
Variable rate borrowings:		
Obligations under finance leases	**8,687,991**	13,889,938
	8,687,991	13,889,938
	160,740,128	124,345,919

At 31 March 2018, it is estimated that a general increase/decrease of 100 basis point in interest rates with all other variables held constant, would have decreased/increased the Group's profit after tax and the total equity by approximately HK$73,000 (2017:HK$116,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the end of the reporting period.

The estimated 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period. The sensitivity analysis is performed on the same basis for the years ended 31 March 2018 and 2017.

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS – CONTINUED

(d) Foreign currency risk

The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in Hong Kong dollars.

(e) Fair values measurement

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 March 2018 and 2017.

25. COMMITMENTS

At 31 March 2018 and 2017, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018	2017
Within 1 year	**6,291,000**	2,875,300
After 1 year but within 5 years	**5,243,500**	2,967,000
	11,534,500	5,842,300

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run an initial period range from two to five years, with an option to renew when all terms are renegotiated. None of these leases includes contingent rentals.

26. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the year ended 31 March 2018, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationships with the Group
Chung Hang Enterprises Holdings Limited	A related company owned by a director of the Company
Chung Wah Investment Company Limited	A related company owned by a director of the Company

26. MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

In addition to the transactions and balances disclosed in notes 7(a) and 19 in these consolidated financial statements, the Group entered into the following material related party transactions during the year:

	2018	2017
Leases of properties from		
– Chung Hang Enterprises Holdings Limited	**624,000**	624,000
– Chung Wah Investment Company Limited	**1,140,000**	1,140,000
	1,764,000	1,764,000

Note: The directors of the Company are of opinion that the above transactions were entered into the normal course of business. The related party transactions in respect of rental expenses paid to a related company constitute connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

(b) Transactions with key management personnel

Key management personnel remuneration

Remuneration of key management personnel, including amounts paid to the directors as disclosed in note 9 and certain of the highest paid employees and senior management as disclosed in note 10, is as follows:

	2018	2017
Short-term employee benefits	**13,164,488**	10,754,329
Post-employment benefits	**88,500**	102,000
	13,252,988	10,856,329

Total remuneration is included in “staff costs” (see note 7(b)).

27. COMPANY LEVEL OF FINANCIAL STATEMENT

	2018	2017
Non-current assets		
Investment in subsidiaries	**27,970,118**	150,726,170
	27,970,118	150,726,170
Current assets		
Prepayments and other receivables	**256,548**	117,541
Amounts due from subsidiaries	**423,111,573**	333,828,131
Cash and cash equivalents	**763,383**	99,558,688
	424,131,504	433,504,360
Current liabilities		
Other payables	**36,000**	169,608
Amounts due to subsidiaries	**129,831,180**	130,581,219
	129,867,180	130,750,827
Net current assets	**294,264,324**	302,753,533
NET ASSETS	**322,234,442**	453,479,703
Capital and reserves		
Share capital	**9,600,000**	9,600,000
Reserves (Note 23(a))	**312,634,442**	443,879,703
TOTAL EQUITY	**322,234,442**	453,479,703

Approved and authorised for issue by the Board of Directors on 15 June 2018

Lau Woon Si
Director

Zhang Zhenyi
Director

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2018
Amendments to HKFRS 2, *Share-based payment*: *Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to HKFRS 4, *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 15, *Clarifications to HKFRS 15*	1 January 2018
Amendments to HKAS 40, *Investment property: Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
Amendments to HKFRS 9, *Prepayment Features with Negative Compensation and Modification of Financial Liabilities*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
HKFRS 17 *Insurance Contracts*	1 January 2021
Amendments to HKFRS 10 and HKAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	A date to be determined by HKICPA

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 – CONTINUED

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost will continued with their respective classification and measurements upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 – CONTINUED

HKFRS 9, Financial instruments – Continued

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 April 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 April 2018.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

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

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

As regards the construction contracts, the directors specifically consider HKFRS 15's guidance on contract combinations, contract modifications arising from variation orders, variable consideration, and the assessment of whether there is significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of goods and services to customers and timing of related payments. The directors have assessed that performance obligation is satisfied over time, therefore revenue from these construction contracts should be recognised over time during the course of construction by the Group. The directors are assessing whether the current accounting policy adopted by the Group in recognising the construction costs charged to profit or loss by reference to the stage of completion of the contract activity at the end of the reporting period is different from the recognition of construction costs in profit or loss based on the actual construction costs incurred under HKFRS 15's guidance and the potential financial impact.

The standard permits either a full retrospective or modified retrospective approach for the adoption. Apart from the recognition of construction costs as explained in above and providing more extensive disclosures on the Group's revenue transactions, the directors do not anticipate that the application of HKFRS 15 will have material effect on the Group's financial performance and position.

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 – CONTINUED

HKFRS 16, Leases

As disclosed in note 2(h), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 25, at 31 March 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$11,534,500 for properties, the majority of which is payable between 1 and 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

Currently the Group amounts for a sale and leaseback transaction as a sale and a finance lease applying HKAS 17. The Group has preliminarily assessed that the HKFRS 16 is not likely to have significant impact to the sale and leaseback transactions before the date of initial application.

FINANCIAL SUMMARY

RESULTS	**2018** **HK$**	2017 HK$	2016 HK$	2015 HK$	2014 HK$
Total Revenue	**226,225,862**	235,519,620	369,569,772	408,127,724	325,454,623
(Loss)/profit before taxation	**(70,336,139)**	(149,564)	32,881,714	76,756,078	47,279,534
Income tax credit/(expense)	**88,657**	(861,377)	(7,317,439)	(14,449,841)	(7,785,708)
(Loss)/profit and total comprehensive income for the year	**(70,247,482)**	(1,010,941)	25,564,275	62,306,237	39,493,826
(Loss)/profit attributable to equity shareholders of the Company	**(70,247,482)**	(1,010,941)	25,573,227	61,999,801	39,367,398
ASSETS AND LIABILITIES					
Total assets	**544,489,317**	601,528,891	341,748,467	272,320,210	249,962,520
Total liabilities	**(219,461,914)**	(206,254,006)	(79,472,641)	(125,225,561)	(105,174,108)
Net assets	**325,027,403**	395,274,885	262,275,826	147,094,649	144,788,412

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.