Progressive Path Group Holdings Limited
進昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1581

2018
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Wing Hang *(Chairman)*
Mr. Chan Tak Ming

Independent Non-executive Directors

Mr. Wong Yiu Kit Ernest
Mr. Lee Man Tai
Mr. Leung Ka Fai

AUDIT COMMITTEE

Mr. Lee Man Tai *(Chairman)*
Mr. Wong Yiu Kit Ernest
Mr. Leung Ka Fai

NOMINATION COMMITTEE

Mr. Leung Ka Fai *(Chairman)*
Mr. Wu Wing Hang
Mr. Wong Yiu Kit Ernest

REMUNERATION COMMITTEE

Mr. Wong Yiu Kit Ernest *(Chairman)*
Mr. Wu Wing Hang
Mr. Lee Man Tai

COMPANY SECRETARY

Ms. Lee Ying Ying

AUTHORISED REPRESENTATIVES

Mr. Wu Wing Hang
Ms. Lee Ying Ying

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tuen Mun Central Square
No. 22 Hoi Wing Road
Tuen Mun
New Territories
Hong Kong

REGISTERED OFFICE

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
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75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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183 Queen's Road East
Hong Kong

COMPLIANCE ADVISER

Ample Capital Limited
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Two Chinachem Plaza
135 Des Voeux Road Central
Central, Hong Kong

PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

David Fong & Co.
Unit A, 12/F.
China Overseas Building
139 Hennessy Road
Wanchai, Hong Kong

COMPANY'S WEBSITE

www.ppgh.com.hk

STOCK CODE

1581

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of Directors (the "Director") of Progressive Path Group Holdings Limited (the "Company"), it is my pleasure to present to you the 2018 annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018.

2017/18 is a difficult year for the Group. The Group's revenue decreased by approximately 21.2% to approximately HK$381,816,000 during the year ended 31 March 2018 (2017: approximately HK$484,479,000). The profit and total comprehensive income for the year ended 31 March 2018 attributable to owners of the Company amounted to approximately HK$5,713,000 (2017: approximately HK$23,930,000). Such decrease is mainly attributable to the combined effect of (i) a substantial decline in revenue from construction work as most of the construction projects were substantially completed and keen competition faced by the Group in obtaining new businesses during the year ended 31 March 2018; (ii) additional construction costs incurred towards the completion stage of certain projects; (iii) a substantial decline in revenue from construction machinery rental income, which was mainly the result of the slowdown of business as some of the mega public projects in Hong Kong have been completed during the year; and (iv) a decline in gross profit margin since the depreciation cost of machinery purchased recently remained significant.

The saturation of the construction industry in Hong Kong accelerates the keen competition in the market during the financial year. The construction industry in Hong Kong is expected to continue to be very challenging in the coming few years unless there will be any sudden supportive economic policies and measures to be adopted by the government of the Hong Kong Special Administrative Region. Other than the keen competition in the market, the continuous increase in the direct labour and material costs undoubtedly increase the overall operational risks of the industry players.

In order to broaden its market share, the Group has commenced trading of new construction machinery since June 2017.

Looking ahead, despite that the global economy remains uncertain, the Director remain positive about the prospects of the construction market of Hong Kong, with the Government's continued commitment to infrastructure investments and housing policy by various short, medium and long term land supply initiatives. The Director will also closely and carefully monitor the latest development in the foundation and site formation industry as well as the construction machinery rental industry in Hong Kong.

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

Wu Wing Hang
Chairman

Hong Kong, 28 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

A challenging industry environment and keen competition among the market players persisted through the year and our financial results undoubtedly were affected on the negative side. Moreover, due to the prevalence of global economic uncertainty, the construction industry is foreseen to expand at a slower pace over the next few years. In Hong Kong, the construction industry was also greatly affected by the prolonged debates in the Legislative Council in recent years which led to a large backlog in the funding approval process for public works. Such delay in funding approval caused a decrease in the number of contracts available from both the public and private sectors of the construction industry which has further intensified the price competition for the new tenders. The Group has had to adjust our tendering strategies by lowering the bidding prices for new contracts in order to maintain our competitiveness. Nevertheless, the Directors are of the view that the demand for construction works are still strong and there are numerous opportunities in the construction industry yet to be captured. The Directors believe that the Group can withstand pressure from the current market environment and look forward to the rebound of the construction industry. Possessing with a synergistic business model, experienced management team and stable resources, the Group strives to maintain the sustainable level of revenue and continue to exercise control in overall cost so that shareholders' return can be maximized.

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in (i) construction works; (ii) the provision of construction machinery rental services; and (iii) trading of construction machinery. Our construction machinery rental services represent the rental of construction machines and construction vehicles to our customers, and the provision of machine operators and transportation services as part of our one-stop construction machinery rental services. Our construction works represent the construction projects undertaken by us, the nature of which are broadly classified as foundation and site formation works, and builder's work and general building works.

The Group has commenced trading of new construction machinery since June 2017. We sourced these new construction machinery from the construction machinery manufacturer in Korea.

Going forward, we will continue to focus on developing our business by undertaking new construction projects, rental arrangements and trading of construction machinery in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

RISKS AND UNCERTAINTIES

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The following highlights are the principal risks and uncertainties identified by the Group. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Operational Risks

Due to unexpected circumstances such as bad weather and geological issues, the actual time and costs incurred in construction projects may exceed our estimation at the time of tendering submission and the work in progress may be interrupted. As the result, such variances could adversely affect the Group's operations and financial results. In such situations, the Group will implement measures such as re-allocating human resources and recruit additional manpower including subcontracting the works in order to expediate the work progress.

On the other hand, chance of industrial accident is inevitable. In order to minimize the rate of accidents, the Group has recruited a qualified safety officer to regularly monitor the work environment, implementation of safety rules and regulations and establishing safety policies. In addition, the Group also appointed a registered safety auditor to conduct corporate safety audit semi-annually to maximize the effectiveness of safety management.

It is quite common in the construction industry that the settlement of the receivables take relatively a longer period of time by our customers especially at the times of unexpected crises due to political and economic factors. To mitigate the pressure of financial liquidity, the Group prepares aging analysis on a regular basis and communicates with the management level of the customers so as to get better understanding of their solvency status.

Market Risks

Due to the construction industry in Hong Kong is dominantly subject to Government's large-scale infrastructure projects and such projects required pro-longed process of legislative approval, it is more passive toward the future's prospect of the industry. Nevertheless, the Group will not just rely on participating in projects from public sector, we will also be more involved in projects from private sectors.

In the meantime, demand of residential and commercial buildings is growing continuously. We perceived that such demand will sustain the booming in the construction industry and attract more competitive entrants to the industry. In order to grip holding of our market shares, we have acquired new fleets of machineries during the year to cope with the demand. With our in-depth experience and knowledge in the field, we are capable to continue providing one-stop construction machinery service to meet the needs of various customers.

However, construction machinery rental service is constraint by the rules and regulation imposed by the Environmental Protection and Labour Department of HKSAR. New legal challenges and policies could be released due to the change of environmental and social issues. Such changes will lead to increase of cost and burden for the Group. In light of such potential risk, we have acquired new environmental type of machineries to replace the old ones so to meet the environmental requirements and protect the public health.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

As mentioned above, during the year ended 31 March 2018 (the "Year"), the business segment of the trading of construction machinery is considered as a new business segment of the Group. As such, the trading income from this new business segment is regarded as revenue of the Group in the current year. During the Year, the Group had revenue generated from construction works, construction machinery rental and trading of construction machinery. Set out below is the breakdown of revenue of the Group during the Year and 2017:

	Ended 31 March	
	2018	2017
	HK$'000	HK$'000
Construction works	**133,595**	216,170
Construction machinery rental	**196,794**	268,309
Trading of construction machinery	**51,427**	–
	381,816	484,479

Revenue from construction works

During the Year, the revenue derived from our eleven projects (2017: twelve projects) amounted to approximately HK$133.6 million (2017: HK$216.2 million), accounting for approximately 35.0% (2017: 44.6%) of our total revenue. Such decrease in revenue was the results of the completion of five out of these eleven construction projects, where generally a relatively lower revenue was derived from projects at their ending phase. At the meanwhile, the Group has engaged in three new projects during the Year, (2017: five projects); nevertheless, two of them only commenced since December 2017 and did not contribute much revenue to the Group yet during the Year. The Group has been actively participating in tenders for new public and private construction projects.

As at 31 March 2018, there were eight projects on hand with total outstanding contract sum amounting to HK$162.1 million. Six projects are expected to be completed in the year ending 31 March 2019, two projects are expected to be completed in the year ending 31 March 2020 and none of them is expected to have any material interruption.

MANAGEMENT DISCUSSION AND ANALYSIS

Below set out a list of projects which contributed revenue to the Group during the Year:

Site Location	Type of Works	Status
Hong Kong International Airport	Foundation and site formation works	Work in progress
Tseung Kwan O	Foundation and site formation works	Completed
Hong Kong Boundary Crossing Facilities	Foundation and site formation works	Work in progress
West Kowloon Terminus Station North	Builder's work and general building works	Work in progress
Tai Po	Foundation and site formation works	Completed
Tuen Mun	Builder's work and general building works	Work in progress
Liantang/Heung Yuen Wai Boundary Control Point	Builder's work and general building works	Work in progress
Hong Kong International Airport	Foundation and site formation works	Completed
Lung Ping Road, Tai Wo Ping Bridge	Builder's work and general building works	Completed
HK-ZH-Macau bridge HK Link Road	Foundation and site formation works	Completed
Anderson Road Quarry Site	Foundation and site formation works	Work in progress
Hong Kong International Airport North Commercial District	Foundation and site formation works	Work in progress
HK-ZH-Macau bridge Hong Kong Boundary Crossing Facilities – Vehicle Clearance Plazas and Ancillary Buildings and Facilities	Foundation and site formation works	Work in progress

Revenue from construction machinery rental

During the Year, the revenue derived from the construction machinery rental amounted to approximately HK$196.8 million (2017: HK$268.3 million), accounting for approximately 51.5% (2017: 55.4%) of our total revenue. The substantial decline in construction machinery rental income of the Group was mainly the result of the decrease in demand for machinery rental business accordingly upon the completion of some of the mega public projects in Hong Kong during the Year.

Revenue from trading of construction machinery

The Group has started to engage in the trading of construction machinery, mainly being excavators since June 2017. During the Year, the revenue derived from our trading of construction machinery business amounted to approximately HK$51.4 million, accounting for approximately 13.5% of our total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's total gross profit decreased by approximately HK$31.1 million, or approximately 45.9%, from approximately HK$67.7 million for the year ended 31 March 2017 to approximately HK$36.6 million for the year ended 31 March 2018 while our gross profit margin decreased from approximately 14.0% for the year ended 31 March 2017 to approximately 9.6% for the year ended 31 March 2018. The decrease in gross profit margin was mainly attributable to (i) the lower gross profit derived from the construction projects with additional construction costs were incurred towards the completion stage of certain projects and (ii) the depreciation cost of recently purchased machinery remained significant during the Year. Below set out the breakdowns of the gross profit and gross profit margin of the Group:

	Ended 31 March			
	2018		2017	
	HK$'000		HK$'000	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
Construction works	**14,324**	**10.7%**	33,960	15.7%
Construction machinery rental	**17,888**	**9.1%**	33,783	12.6%
Trading of construction machinery	**4,406**	**8.6%**	–	–
	36,618	**9.6%**	67,743	14.0%

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group for the Year amounted to approximately HK$30.3 million, representing a decrease of approximately 12.8% compared with approximately HK$34.8 million for the previous year. Such decrease is mainly due to the non-recurring listing expenses borne by the Company amounted to approximately HK$11.7 million incurred during the year ended 31 March 2017. The overall decrease in administrative expenses was partially offset by (i) the increase in employee benefits expense of arising from increase in bonuses and salary increments; and (ii) the increase in the general operational costs and administrative expenses of the Group.

NET PROFIT

The Group reported a net profit of approximately HK$5.7 million (2017: HK$23.9 million), representing a decrease of approximately 76.1%. Excluding the aforementioned non-recurring listing expenses incurred in previous year, the Group's net profit would have been approximately HK$35.7 million for the year ended 31 March 2017, representing a decrease of approximately 84.0%. The decrease is mainly attributable to the substantial decline in revenue and the drop in gross profit margin.

TREASURY POLICY

It is the Group's policy to adopt a prudent approach towards its cash management policies and thus maintained a healthy liquidity position throughout the Year. To minimize the exposure to credit risk, the Group would regularly review the timeliness of receivables settlement and evaluate 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 would constantly meet its funding requirements for current and future operations.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 March 2018, the Group had bank balances of approximately HK$77.4 million (2017: HK$99.3 million). The decrease is mainly due to the acquisition of new fleets of machineries during the Year. The new bank borrowings during the Year was approximately HK$55.2 million (2017: HK$53.0 million). The total interest-bearing liabilities of the Group including bank loans and finance leases as at 31 March 2018 was approximately HK$135.3 million (2017: HK$142.5 million). The gearing ratio is calculated based on the amount of total interest-bearing liabilities divided by total equity. The gearing ratio of the Group as at 31 March 2018 was approximately 53.6% (2017: 57.7%).

PLEDGE OF ASSETS

As at 31 March 2018, the Group's bank borrowings and finance lease liabilities were secured by the property and machinery and equipment with an aggregate net carrying value of approximately HK$67.1 million (2017: HK$113.0 million) and insurance prepayment with an aggregate net book value of approximately HK$9.6 million (2017: HK$9.3 million).

FOREIGN EXCHANGE RISK

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group employed 279 staff (2017: 331). Total staff costs including Directors' emoluments for the Year amounted to approximately HK$86.9 million (2017: HK$118.7 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the qualification and performance of each employee.

The emoluments of the Directors of the Company are decided by the Board after recommendation from the remuneration committee of the Company, having considered the factors such as the Group's financial performance and the individual performance of the Directors, etc.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 31 to the consolidated financial statements.

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE AND COMMITMENTS

Our capital expenditure primarily comprises purchase of property, machinery and motor vehicles. Our capital expenditure was principally funded by bank borrowings, finance leases, internal resources and proceeds from new shares offer through the Listing. The following table sets forth our Group's capital expenditure during the Year and previous year:

	2018 HK$'000	2017 HK$'000
Buildings	–	9,686
Motor vehicles	9,766	43,276
Machinery	30,485	38,431
Others	628	349
	40,879	91,742

As at 31 March 2018, the Group had no material capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2018, one of the subsidiaries has been named as defendant in four (2017: five) High Court actions in respect of claim for compensation of personal injury for an amount of approximately HK$6.8 million (2017: HK$8.8 million) in aggregate. The Directors considered the claims are covered by the relevant insurance policies. No provision for potential liability has been made in the consolidated financial statements.

EVENTS AFTER THE YEAR

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2018 and up to the date of this annual report.

SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Year, the Group had no significant investment held and did not have any material acquisition and disposal of subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, the Group did not have other plans for material investments and capital assets during the Year and as at the date of this annual report.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Year and up to the date of this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of final dividend to shareholders of the Company for the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM LISTING

The Company's shares have been listed on the Main Board of the Stock Exchange since 8 December 2016. After the exercise of the Over-allotment Option, the receipt of proceeds, after deduction of underwriting commission and other related estimated listing expenses, including both recognised in the consolidated statement of comprehensive income and deducted from the share premium ("net proceeds") from the Company's listing were approximately HK$102.3 million. As at 31 March 2018, the net proceeds had been utilised as follows:

Use of net proceeds	**Net proceeds from the share offer** HK$ million	**Actual utilisation up to 31 March 2018** HK$ million	**Unutilised amounts as at 31 March 2018** HK$ million
Replacement and enhancement our fleet of machinery	80.4	17.2	63.2
Reinforcement of our workforce	12.2	4.5	7.7
General working capital	9.7	9	0.7
	102.3	30.7	71.6

The unutilised amounts of the net proceeds will be applied in the manner consistent with that mentioned in the prospectus of the Company dated 28 November 2016. The unutilised net proceeds had been deposited into licensed bank in Hong Kong.

PROSPECTS

In view of the growth prospects for both public and private development projects, the Group continues to replace and enhance our fleet of machinery to strengthen the market position in Hong Kong to capture more sizeable and profitable projects, the Group expects a steady growth in the construction industry in Hong Kong. In order to expand the business scope, the Group is now engaged in trading of construction machinery so as to bringing in more revenue and returns to our shareholders.

REPORT OF THE DIRECTORS

The Board presents to the shareholders this annual report together with the audited consolidated financial statements for the Year.

PRINCIPAL ACTIVITIES

The Company is an investment holding company while the principal subsidiaries are principally engaged in the construction works, provision of construction machinery rental services and trading of construction machinery. Details of the principal activities of its subsidiaries are set out in notes 1 and 37 to the consolidated financial statements. The Group has commenced trading of construction machinery since June 2017. Other than this new trading business, there has been no significant change in the Group's principal activities during the Year.

BUSINESS REVIEW

Discussion and analysis of principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a discussion of the principal risks facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" set out on pages 4 to 11 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 46 of this annual report. No dividend was paid or proposed by the Company during the Year, nor has any dividend been proposed by the Directors since the end of the Year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements of this annual report.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Directors are of view that employees, customers, sub-contractors and suppliers are the keys to the sustainable development of the Group.

Employees

Employees are regarded as valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise well-performed staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives. In particular, the Group promote career development and advancement by providing appropriate training and opportunities in order to enhance the employees' work performance.

Customers

Our major customers include construction work companies engaged in public and/or private construction projects in Hong Kong. We have established long-term business relationship with these customers for many years and committed to offer our quality service to meet their requirement. We tend to maintain contacts with these customers regularly in order to understand their needs and provide required service to support their business.

REPORT OF THE DIRECTORS

Sub-contractors and Suppliers

Our Group have developed long-standing relationship with a number of sub-contractors and suppliers. We have always been communicating closely with them to ensure that good quality and sustainable goods and services will be provided to the Group. When selecting sub-contractors and suppliers, we often require them to satisfy certain criteria such as experience and capability, financial strength, track record, and reputation.

SHARE CAPITAL AND SHARES ISSUED DURING THE YEAR

Details of movements during the Year in the share capital of the Company are set out in note 27 to the consolidated financial statements of this annual report.

RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 49 of this annual report.

As at 31 March 2018, the Group had retained profit amounted to approximately HK$97,552,000 available for distribution to the Company's shareholders.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 15 November 2016. The principal terms of the Share Option Scheme is set out in note 31 to the consolidated financial statements of this annual report. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during the Year and up to the date of this annual report.

DIRECTORS

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

Executive Directors
Mr. Wu Wing Hang
Mr. Chan Tak Ming

Independent Non-Executive Directors
Mr. Wong Yiu Kit Ernest
Mr. Lee Man Tai
Mr. Leung Ka Fai

REPORT OF THE DIRECTORS

In accordance with article 108 of the Company's articles of association (the "Articles"), Mr. Chan Tak Ming and Mr. Lee Man Tai will retire from office as Directors at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

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

Information regarding directors' emoluments is set out in note 12 to the consolidated financial statements of this annual report. An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules has been received from each of the independent non-executive Directors ("INEDs"). The Group considers all INEDs to be independent under the Listing Rules.

DIRECTORS' SERVICE CONTRACT

All the INEDs have respectively entered into a letter of appointment with the Company for a term of two years unless terminated by not less than three month's 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.

MANAGEMENT CONTRACTS

During the Year, no contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed.

DIRECTORS'/CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent companies was a party and in which a director or controlling shareholders of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Year and up to the date of this annual report.

REPORT OF THE DIRECTORS

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders has made an annual declaration to the Company up to 31 March 2018, he/it has complied with the terms of non-competition undertakings ("Non-Competition Undertakings") given in favour of the Company. The INEDs have also reviewed the status of compliance by each of the controlling shareholders with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the INEDs can ascertain, there is no breach of any of such undertakings.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2018, interests and long positions in the Shares, underlying Shares 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 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 the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules are as follows:

(i) Long position in the Shares

Name of director	Capacity/Nature of interest	Shares held	Approximate number of shareholding percentage
Mr. Wu Wing Hang ("Mr. Wu")	Interest in controlled corporation – Corporate interest (Note)	610,995,000	58.89%

Note: The 610,995,000 Shares are held by Profit Gold Global Limited ("Profit Gold"). Mr. Wu beneficially owns 100% of the entire issued share capital of Profit Gold and is deemed, or taken to be, interested in all the Shares held by Profit Gold for the purposes of the SFO. Mr. Wu is the director of Profit Gold.

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

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held	Percentage of shareholding
Mr. Wu	Profit Gold	Beneficial owner (Note)	1	100%

Note: Mr. Wu beneficially owns 100% of the entire issued share capital of Profit Gold, and he is deemed or taken to be interested in all the shares in Profit Gold for the purposes of the SFO. Mr. Wu is the director of Profit Gold.

(iii) Short positions

Other than as disclosed above, as at 31 March 2018, none of the Directors nor chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2018, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the shares of the Company:

Name	Capacity/Nature of interest	Number of Shares held/ interested in	Percentage of shareholding
Profit Gold	Beneficial owner (Note 1)	610,995,000	58.89%
Ms. Kwok Wai Sheung Melody ("Ms. Kwok")	Interest of spouse (Note 2)	610,995,000	58.89%

Notes:

1. 610,995,000 Shares were beneficially owned by Profit Gold, which is wholly owned by Mr. Wu.

2. Ms. Kwok, being spouse of Mr. Wu is deemed to be interest in the 610,995,000 Shares held by Mr. Wu under the SFO.

Save as disclosed above, as at 31 March 2018, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

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

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

The approximate percentages of the Group's revenue and cost of sales attributable to major customers, subcontractors and suppliers during the Year and 2017 are as follows:

	31 March 2018	31 March 2017
Approximate % of total revenue		
from the largest customer	**21.3%**	12.0%
from the five largest customers in aggregate	**51.2%**	49.0%
Approximate % of cost of sales		
from the largest subcontractor	**7.8%**	14.0%
from the five largest subcontractors in aggregate	**18.5%**	44.3%
from the largest supplier	**13.2%**	9.0%
from the five largest suppliers in aggregate	**21.4%**	22.0%

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 Year.

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.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions as disclosed in note 32 to the consolidated financial statements of this annual report, all transactions which also constitute connected transactions or continuing connected transactions are fully exempted connected transactions or continuing connected transactions of the Company as all the applicable percentage ratios are less than 0.1%. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in relation to any connected transactions and continuing connected transactions.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

During the Year, there were no connected transactions or continuing connected transactions of the Company which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

MARKET CAPITALISATION

As at 31 March 2018, the market capitalisation of the listed securities of the Company was approximately HK$529,125,000 based on the total number of 1,037,500,000 issued shares of the Company and the closing price of HK$0.51 per share.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

EVENTS AFTER YEAR

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2018 and up to the date of this annual report.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2018 have been audited by SHINEWING (HK) CPA Limited, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

CORPORATE GOVERNANCE CODE

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the Year and up to the date of this annual report except for the deviation from code provision A2.1 of the CG Code as explained in the Corporate Governance Report.

The details of Group's compliance with the CG Code is set out in the Corporate Governance Report from page 24 to page 32 of this annual report.

CHARITABLE DONATIONS

During the Year, the Company made charitable donations amounting to approximately HK$120,000.

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure from the business of the Group during the year ended 31 March 2018.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES

Sustainability is one of the key factors to the Group's development, as well as for the viability of its business and the welfare of the community. We are committed to offering premium products and services to obtain customer satisfaction all round. In recent years, we have been looking for ways to minimise the adverse impact of our businesses on the environment (i.e. air and noise pollution) by improving operational efficiencies and implementing eco-friendly measures. The Group will continue to strive for energy-saving and environmental-friendly equipment and materials for our construction projects. We will formulate policy to promote awareness and practices on resource usage reduction, waste reduction and energy conservation, and be more active in involving various community programs and contributing to the society.

Details are set out in the Environmental, Social and Governance Report from page 33 to page 40 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

On behalf of the Board
Wu Wing Hang
Chairman

Hong Kong, 28 June 2018

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wu Wing Hang (胡永恒) ("Mr. Wu"), aged 39, is the founder of our Group. Mr. Wu is also a member of the nomination and remuneration committee. He was appointed as a Director on 21 April 2016 and was designated as an executive Director on 13 July 2016. He was also appointed as the Chairman of our Group on 13 July 2016. He is currently responsible for overseeing the corporate strategy and operational management of our Group. Mr. Wu is also a director of all the wholly-owned subsidiaries of our Group.

Mr. Wu has over 20 years of experience in the construction works and construction machinery rental service industry. He completed his secondary school education in City College in Hong Kong in 1995. In 2010, Mr. Wu established Luen Yau Construction Company. He established Luen Yau Construction Company Limited in December 2007 and served as its director.

Mr. Wu is the spouse of Ms. Kwok Wai Sheung Melody, the human resources and administration Manager of the Company. For Mr. Wu's interest in the Shares within the meaning of Part XV of the SFO, please refer to the section headed "Report of the Directors" in this report.

Mr. Chan Tak Ming (陳德明) ("Mr. Chan"), aged 52, was appointed as Director on 31 May 2016 and was designated as an executive Director on 13 July 2016. He is currently responsible for overseeing the rental operation of our Group.

Mr. Chan has over 30 years of experience in the construction works and construction machinery rental service industry. He completed his secondary school education in Oberlin College in Hong Kong in 1983. Mr. Chan joined our Group in August 2003 as a machine operator and was promoted to the position of head of machine rental department in July 2013.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Wong Yiu Kit Ernest (黃耀傑) ("Mr. Wong"), aged 50, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the remuneration committee and a member of the audit and nomination committees of our Company.

Mr. Wong has over 25 years of experience in venture capital, corporate finance, business development and general management. Mr. Wong is the president and group chief financial officer of KVB Kunlun Holdings Limited and is the executive director, chief financial officer and the company secretary of KVB Kunlun Financial Group Limited (stock code: 6877). Mr. Wong is also an independent non-executive director of Renheng Enterprise Holdings Limited (stock code: 3628), HongDa Financial Holding Ltd (stock code: 1822), Legend Strategy International Holdings Group Company Limited (stock code: 1355), China Regenerative Medicine International Limited (stock code: 8158) and Common Splendor International Health Industry Limited (stock Code: 286) whose shares are listed on the Stock Exchange. Mr. Wong has served as the board director at Adamas Finance Asia Limited since 2008, a company listed on the London Stock Exchange (LSE stock code: ADAM), and served as its chief financial officer from May 2008 to October 2011. Mr. Wong also served as the chief financial officer of the Hong Kong Applied Science and Technology Research Institute and the vice president of Vertex Management (HK) previously.

Mr. Wong obtained a bachelor's degree in business administration from The University of Hong Kong, a master's degree of science in investment management from The Hong Kong University of Science and Technology and a master's degree of science in electronic engineering from the Chinese University of Hong Kong. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in England and Wales. He is also the charter-holder of the Institute of Chartered Financial Analysts. He is now the president of the Hong Kong University Graduates Association, the deputy chairman of the HKU Convocation, the court member of The University of Hong Kong and a committee member of the Association of Chartered Certified Accountants Hong Kong.

Mr. Lee Man Tai (李文泰) ("Mr. Lee"), aged 41, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the audit committee and a member of the remuneration committee of our Company.

In November 2000, Mr. Lee obtained his Bachelor degree in business administration from Lingnan University, Hong Kong. In November 2010, he further obtained a Master degree in business administration in financial services from The Hong Kong Polytechnic University. Mr. Lee was admitted as a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in May 2012 and October 2012 respectively. He is also a representative for Type 1 and Type 6 regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong).

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee has over 16 years of experience in financial and auditing industries. Mr. Lee served as the chief financial officer and company secretary in several listed companies including China Yuanbang Property Holdings Limited, a listed company on the main board of Singapore Exchange Securities Trading Limited with stock code BCD between October 2006 to October 2012, China 33 Media Group Limited (stock code: 8087) between October 2012 and May 2014 and Flying Financial Service Holdings Limited (stock code: 8030) as the chief financial officer between July 2014 to April 2015 and company secretary between August 2014 to April 2015. Mr. Lee also served as the company secretary and financial controller of Chanco International Group Limited (with its name changed to Ascent International Holdings Limited effective from 14 June 2016) (stock code: 264) from April 2015 to September 2015 and from April 2015 to January 2016 respectively. He is currently an independent non-executive director of China Energy Development Holdings Limited (stock code: 228) since January 2016.

Mr. Leung Ka Fai (梁家輝) ("Mr. Leung"), aged 39, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the nomination committee and a member of the audit committee of our Company.

In October 2008, Mr. Leung obtained his Master degree in Chinese language and literature from The Hong Kong Polytechnic University. He further obtained a Postgraduate diploma in education (teaching in Chinese) from The Hong Kong Baptist University in November 2012 as well as a Master degree in sociology from The Chinese University of Hong Kong in November 2014.

Mr. Leung is a district council member of Sha Tin District Council since January 2008. He is also a committee member of Yunfu City of the Chinese People's Political Consultative Conference in PRC from January 2013 to January 2016.

Mr. Leung has over 5 years of experience in management. He served as a business director of Beta Field Capital Limited from December 2011 to February 2012 and an independent non-executive director of Rui Kang Pharmaceutical Group Investments Limited (stock code: 8037, formerly known as Longlife Group Holdings Limited) from June 2013 to December 2017. He was also appointed as an independent non-executive director of China Investment Fund International Holdings Limited (stock code: 612, formerly known as China Investment Fund Company Limited) from 22 April 2016 (after the trading of its shares was halted since 1 April 2016) to 20 July 2016 and subsequently appointed and redesignated as a non-executive director with effect from 31 October 2016.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Kwok Ka Lok Ken (郭家樂) ("Mr. Kwok"), aged 43, was our project manager. He was responsible for management of projects and implementation of quality management on site. He left our group in September 2017.

In August 2009, Mr. Kwok obtained his Master degree in engineering management from the University of Technology, Sydney in Australia. He was admitted as an associate member of The Association of Building Engineers in May 2009 and a member of The Institution of Highways and Transportation in September 2009.

Mr. Kwok has over 20 years of experience in the construction industry. He joined our Group in February 2013 as our project manager. Prior to joining our Group, Mr. Kwok served as a site supervisor in Mak Hang Kei (HK) Construction Limited from July 1995 to June 1996, a site engineer in The Express Builders Co., Ltd from July 1997 to August 1999, a work supervisor on certain projects in Chan, Kan & Associates Ltd. from June 1999 to September 2001 and a general foreman in Wai Hung Construction Engineering Company Limited from September 2001 to March 2003. He also served as a site agent in Shun Tat Construction Engineering Company from March 2003 to August 2004, a senior foreman, a sub agent and a site agent in Chun Wo Construction & Engineering Co., Ltd. during the period from August 2004 to May 2010 and a senior site agent in China Harbour Engineering Company Limited from August 2010 to January 2013.

Ms. Kwok Wai Sheung Melody (郭慧嫦) ("Ms. Kwok"), aged 40, is our human resources and administration manager. She is currently responsible for human resources management, training and education of employees.

In 1995, Ms. Kwok completed her secondary school education in Ho Ngai Prevocational School (Sponsored by Sik Sik Yuen) in Hong Kong. Ms. Kwok is the spouse of Mr. Wu.

Ms. Kwok has over 18 years of experience in the construction industry. She joined LYCC in July 2003 as a human resources and administration manager. Prior to joining our Group, Ms. Kwok worked as a site clerk in Dickson Construction Co., Ltd. from September 1998 to December 2000 and China Harbour Engineering Co. from November 1997 to September 1998.

COMPANY SECRETARY

Ms. Lee Ying Ying (李盈熒) ("Ms. Lee"), aged 43, is our chief financial officer and company secretary and was appointed on 13 July 2016. She joined our Group in December 2015 and is currently responsible for finance management and company secretarial works.

In December 2005, Ms. Lee obtained her Master degree in professional accounting from The Hong Kong Polytechnic University. She was admitted as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in June 2002 and a fellow member of the Association of Chartered Certified Accountants in April 2007.

Ms. Lee has over 20 years of experience in the auditing and accounting field. She has served a number of auditing position in various private companies from June 1994 to November 2003. From November 2003 to February 2013, Ms. Lee served as an administration and financial director and was promoted to the chief financial officer in 3 Wells Group Holdings Limited. She is also as a director of P&M Corporate Services Limited since December 2013.

CORPORATE GOVERNANCE REPORT

The Company strives to attain and maintain a high standard of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding interests of shareholders and other stakeholders. Accordingly, the Board attributes a high priority to identifying and implementing appropriate corporate governance practices to ensure transparency, accountability and effective internal controls.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules. Throughout the year ended 31 March 2018 and up to the date of this report, the Company has complied with the code provisions under the CG Code, except for the deviation from code provision A.2.1 of the CG Code as explained below. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

According to code provision A.2.1 of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Throughout the year ended 31 March 2018 and up to the date of this report, the role of the chairman of the Company is performed by Mr. Wu Wing Hang but the office of the chief executive officer of the Company is vacated. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company.

Having made specific enquiry of all Directors, the Company is satisfied that the Directors have complied with the Model Code throughout the year ended 31 March 2018.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board is responsible for formulating business strategies and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules during the Year. The Board constituted by five members, including two executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors
Mr. Wu Wing Hang *(Chairman)*
Mr. Chan Tak Ming

Independent non-executive Directors
Mr. Wong Yiu Kit Ernest
Mr. Lee Man Tai
Mr. Leung Ka Fai

Biographical details of each Director and relationship between board members are set out on page 20 to page 23 of this annual report.

The Company has signed a letter of appointment with each of the independent non-executive Directors. The commencement date of each of the letter of appointment is 15 November 2016 for a term of two years, which may be terminated earlier by no less than three months' written notice served by either party on the other.

Pursuant to article 108(a) of the Articles, one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least once every 3 years. However, a retiring Director shall be eligible for re-election.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The Company has also complied with Rule 3.10(2) of the Listing Rules. One of the independent non-executive Directors possesses the appropriate professional accounting qualifications and financial management expertise.

CORPORATE GOVERNANCE REPORT

During the Year, four regular Board meetings and a general meeting were held. Details of the attendance of the Directors to the regular Board meetings and general meeting are as follows:

Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings
Executive Directors		
Mr. Wu Wing Hang	4/4	1/1
Mr. Chan Tak Ming	4/4	1/1
Independent non-executive Directors		
Mr. Wong Yiu Kit Ernest	4/4	1/1
Mr. Lee Man Tai	4/4	1/1
Mr. Leung Ka Fai	4/4	1/1

Every Director is entitled to have access to Board papers and related materials, and the advice and services of the company secretary of the Company (the "Company Secretary"), and has the liberty to seek independent professional advice at the Company's expense if so reasonably required. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

BOARD DIVERSITY

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company. In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company encourages the Directors to attend any relevant programme to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively. During the year ended 31 March 2018, the Directors have participated in continuous professional development programmes, such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. All Directors have been given relevant guideline materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest. Such induction materials and briefing will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary.

All Directors have provided record of their training attendance and the Company will continue to arrange and fund the training in accordance with the CG Code provisions.

BOARD COMMITTEES

The Board has established three committees, namely the audit committee (the "Audit Committee"), the nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee"). The table below provides the membership information of these committees on which certain Board members served:

Directors	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Wu Wing Hang	–	M	M
Mr. Chan Tak Ming	–	–	–
Mr. Wong Yiu Kit Ernest	M	M	C
Mr. Lee Man Tai	C	–	M
Mr. Leung Ka Fai	M	C	–

Notes:

C – Chairman of the relevant Committee

M – Member of the relevant Committee

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

Pursuant to Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code, the Audit Committee comprises three independent non-executive Directors, namely Mr. Lee Man Tai, Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai. Mr. Lee Man Tai is the Chairman of the Audit Committee. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the consolidated financial statements and the interim and annual reports of the Group, reviewing the terms of engagement and scope of audit work of the external auditors, and performing the corporate governance function.

The Audit Committee held two meetings during the financial year ended 31 March 2018 to review, and recommend to the Board for approval, of the Company's the audited financial statements of the Company for the year ended 31 March 2017 and the unaudited interim financial statements for the six-month period ended 30 September 2017. The individual attendance record of each member at the meetings of Audit Committee are set out below:

Name of member of the Audit Committee	Attendance/ Number of Meetings
Mr. Lee Man Tai	2/2
Mr. Wong Yiu Kit Ernest	2/2
Mr. Leung Ka Fai	2/2

NOMINATION COMMITTEE

Pursuant to paragraph A.5 of the CG Code, the Nomination Committee comprises one executive Director, namely Mr. Wu Wing Hang and two independent non-executive Directors, namely Mr. Leung Ka Fai and Mr. Wong Yiu Kit Ernest. Mr. Leung Ka Fai is the Chairman of the Nomination Committee. The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying and nomination of directors and making recommendations to the Board on appointment and re-appointment of Directors.

CORPORATE GOVERNANCE REPORT

During the financial year ended 31 March 2018, the Nomination Committee held a meeting to (i) review the structure, size and diversity of the Board; (ii) assess the independence of the independent non-executive Directors; and (iii) recommend to the Board for consideration the re-election of all the retiring Directors at the forthcoming annual general meeting. The individual attendance record of each member of the Nomination Committee is set out below:

Name of member of the Nomination Committee	Attendance/ Number of Meetings
Mr. Leung Ka Fai	1/1
Mr. Wu Wing Hang	1/1
Mr. Wong Yiu Kit Ernest	1/1

REMUNERATION COMMITTEE

Pursuant to paragraph B.1 of the CG Code, the Remuneration Committee comprises one executive Director, namely Mr. Wu Wing Hang and two independent non-executive Directors, namely Mr. Wong Yiu Kit Ernest and Mr. Lee Man Tai. Mr. Wong Yiu Kit Ernest is the Chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, among other things, formulating and making recommendations to the Board on the remuneration policy, determining the specific remuneration packages of all executive Directors and senior management and making recommendations to the Board of the remuneration of independent non-executive Directors.

The Remuneration Committee held one meeting during the financial year ended 31 March 2018 and the individual attendance record of each member of the Remuneration Committee is set out below:

Name of member of the Remuneration Committee	Attendance/ Number of Meetings
Mr. Wong Yiu Kit Ernest	1/1
Mr. Wu Wing Hang	1/1
Mr. Lee Man Tai	1/1

No Director takes part in any discussion about his own remuneration. Full details of remuneration of the Directors and the five highest paid employees are provided in Notes 12 and 13 respectively to the consolidated financial statements of this annual report.

COMPANY SECRETARY

The Company Secretary, who is also the chief financial officer of the Company, is a full time employee of the Company. During the year ended 31 March 2018, the Company Secretary undertook no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules. Her biography is set out on page 23 of this annual report in the section of "Biographies of the Directors and Senior Management".

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2018. The Directors aim to present a clear and understandable assessment of the Group's financial position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the consolidated financial statements of the Group. The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules, and reports to the regulators.

The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

One of the major functions of the Board is to maintain an adequate risk management and internal control systems to safeguard shareholders' investments and the Group's assets, and reviewing their effectiveness annually through the Audit Committee. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board.

Policies and procedures have been designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with applicable law, rules and regulations. The policies and procedures provide a reasonable assurance that material misstatements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

During the Year, the Company engaged an external independent consulting firm to review the effectiveness of certain of the Group's risk management and internal controls systems. Relevant recommendations made by the consultant have already been implemented in stages by the Group to further enhance its internal control policies, procedures and practices. The Board considered that the Group's risk management and internal control systems were effective during the Year.

The Group has conducted an annual review on whether there is a need for an internal audit department. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year ended 31 March 2018, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited, and its affiliated firms, in respect of their audit and non-audit services was as follows:

	Service Fee HK$'000
Audit services	942
Non-audit services:	
– Review for interim report	250
– Others*	82
	332
Total	1,274

* Performed by SHINEWING (HK) CPA Limited's affiliated firms.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with all Shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations.

The Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for Shareholders to communicate directly with the Board; (b) printed corporate documents mailing to Shareholders; (c) announcement disseminating the latest activities of the Group on the web-sites of the Company and the Stock Exchange; and (d) the Company's web-site providing an electronic means of communication.

SHAREHOLDERS' RIGHTS

How shareholder can convene an extraordinary general meeting

The following procedures for shareholders to convene an extraordinary general meeting ("EGM") are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time):

(a) Pursuant to article 64 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "Eligible Shareholder(s)") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition;

(b) The written requisition must state the purposes of the meeting, signed by the Eligible Shareholder(s) and deposit it to the Board or the Company Secretary at the Company's principal place of business at Unit 1108, 11/F., Tuen Mun Central Square, No. 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists;

(c) The requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;

(d) The requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered shareholders. On the contrary, if the requisition has been verified as not in order or the shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM; and

(e) If within 21 days of such deposit the Board fails to proceed to convene such meeting the Eligible Shareholder(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may, at any time, direct enquiries to the Board. Such enquiries can be addressed to the Company Secretary in writing by mail to the Company's principal place of business in Hong Kong at Unit 1108, 11/F., Tuen Mun Central Square, No. 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong.

Procedures for putting forward proposals at shareholders' meeting

There are no provisions in the Articles or the Companies Law of the Cayman Islands for Shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures set out in the above paragraph heading "How shareholder can convene an extraordinary general meeting".

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

As of the year ended 31 March 2018 and up to the date of this annual report, there were no changes made to the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Progressive Path Group Holdings Limited (the "Group") is a Hong Kong-based subcontractor engaged in construction works, provision of construction machinery rental services and trading of construction machinery. Our construction works services can be categorised as follows: foundation and site formation works, including earthworks and Excavation and Lateral Support ("ELS") works, works specialist and general building works.

Other services are rental of construction machines and vehicles to our customers, as well as the provision of machine operators and transportation services. In addition to these two services, the Group launched trading of new construction machinery in June 2017.

In recognition of our quality control system, we have obtained several certifications – International Organisation for Standardization ("ISO") 9001:2008, ISO 14001:2004 and Occupational Health Safety Assessment Series ("OHSAS") 18001:2007 – from Accredited Certification International Limited. The Group works unstintingly to operate its business in an economic, social and environmentally sustainable manner. It has committed itself to continuous improvement in corporate social responsibility, in order to meet the changing needs of society as it evolves.

ABOUT THIS REPORT

This ESG Report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The ESG Report primarily highlights the Group's major initiatives and activities from 1 April 2017 to 31 March 2018. It covers major businesses and operations in construction works and construction machinery rental services in Hong Kong.

The Group is committed to compliance with laws and regulations covering environmental and social responsibilities that have a significant impact on the Group. We are committed to strengthening corporate social responsibility governance, promoting the sustainable development of the Group, and creating and sharing with stakeholders sustainable values in the economic, social, and environmental fields.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ENVIRONMENTAL

I.1 Emissions

Reducing greenhouse gas emissions is the most important mitigation measure for tackling climate change, and carbon footprint assessment provides the underlying indicators for reducing greenhouse gas emissions. Multiple sources of emissions are generated from our business operations. Emissions generated by the Group mainly arise from electricity consumption at offices used and from diesel fuel consumed by Group-owned vehicles. Given that emissions were substantially due to equipment usage and Group-owned vehicles, our mitigation strategy focuses significantly on these sources. A range of measures are used to avoid, reduce or control pollution where technically and economically feasible, with implementation of various energy-saving measures to reduce the emission of greenhouse gases. We have opted to use a more energy-efficient fuel, Shell Fuelsave Diesel, for most of our vehicles and machinery (e.g. excavator and lorry cranes). To reduce the emission of carbon dioxide, the Company has strictly controlled total energy consumption and adjusted the energy utilization structure, to cut down on use of energy with high carbon dioxide content. It has adopted clean energy and promoted the clean production strategy. While discarding obsolete capacity and processes and purchasing energy-saving and advanced equipment, we have also applied cutting-edge technologies to help with energy conservation and pollution prevention. Under the amendment of the Air Pollution Control Ordinance (Cap. 311, Laws of Hong Kong) in 2008 by the Environmental Protection Department ("EPD"), we ensure all machineries used are diesel-driven, with sulphur content not higher than 0.005%, and endeavour to reduce our carbon emission levels when we are operating in any construction sites.

The Group is unable to retrieve usage records for Group-owned vehicles. As a result, atmospheric emission data for nitrogen oxides and particulate matter are unavailable, as the Group has not yet started to collect data for kilometres travelled by vehicles this year. Sulphur oxides produced by the Group total 27,073g. In this regard, the Group has prepared a register for recording such usage records, which will enable us to gather emission data in the ESG report for the next reporting year. The Group's greenhouse gas sources are mainly fuels used in vehicles and offices used in construction. During the reporting period, greenhouse gases emitted by the Group totalled 4,379.25 tonnes, carbon dioxide equivalent.

Emissions data during the reporting period:

Type of Emission	Unit: tonne
Scope 1 – Direct emissions from fuels used in vehicles	4,372.82 tonnes
Scope 2 – Indirect emissions from purchased electricity	4.79 tonnes
Scope 3 – Indirect emissions from business travel	1.64 tonnes
Total GHG Emissions	**4,379.25 tonnes**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I.2 Waste Management

Due to the nature of the industry, the Group seldom produces hazardous waste. Therefore, this relevant key performance indicator was not applicable to the Group. During the reporting year, the Group did not experience any emission-related non-compliance issue that could have had a significant impact on the environment. On the other hand, in contrast to hazardous wastes, the main non-hazardous wastes of the Group are construction-related. According to the Waste Disposal Ordinance (Cap. 354, Laws of Hong Kong), illegal discharges of construction waste are prohibited. To comply with the Waste Disposal Ordinance, we strictly follow the requirements of the EPD and the main contractors. We have engaged a qualified construction waste collector to handle construction waste discharges if necessary. During the year, the total of construction waste properly disposed of by the Group was 375.70 tonnes, with an intensity of 34.15 tonnes per construction project.

I.3 Use of Resources

Environmental protection is the responsibility of member of every staff of the Group. The focus is on reducing natural resource consumption. The Group promotes the paperless office, encourages employees to maximise use of electronic communications and electronic documents, avoid unnecessary printing and copying, reduce paper consumption, and recycle office waste paper and other office supplies. To put into practice the concept of the "3Rs" (Reduce, Reuse and Recycle) in our offices and site offices, we have implemented stages of time regarding to environmental policies. For instance, we encourage staff to reduce paper usage by double-sided copying and frequent use of electronic information systems for communication and documentation; to switch off lights and electrical facilities/appliances (computers and printers) when leaving the workplace or when they are not in use; to purchase and use energy-efficient products; to use natural lighting and ventilation in site offices; to encourage a paperless work environment in terms of internal and external email communication; and to place recycling bins in offices to encourage recycling. As a business in the construction industry, the Group is mainly engaged in the construction of infrastructure, real estate, urban complexes, etc., and our production and operational processes do not involve consumption of packaging materials or packaging material-related businesses. Therefore, this indicator is not applicable.

Electricity usage in construction works is not included in the statistics, since the power in question was generally supplied directly by the main contractor, and the relevant usage was not attributed to the Group. Meanwhile, water supply and discharge at the head office are the responsibility of the building management, so provision of water supply and discharge data is not feasible. Total energy consumption below comprises only electricity consumed by office premises.

Energy consumption	**Unit**	**2017/18**
Electricity	kWh	7,599.00
Electricity Intensity (per working month)	kWh	633.25

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I.4 The Environment and Natural Resources

Under its commitment to a development path of environmental protection and sustainability, the Group has always taken environmental protection measures in the processes of design, development and operation of each and every project. As a construction business, the Group's environmental impact in the course of business development comprises only solid – vegetation and construction – waste within the scope of construction. Each project of the Group has a site agent to control construction waste and ensure it can be processed in a timely and effective manner. The Group also fosters a greener environment within the scope of construction through a good line design.

To minimise environmental impact, the Group regularly monitors the potential impact of its business operations on the environment and promotes a green office and production environment through four basic principles: reducing, reusing, recycling and replacing. At the same time, the Group verifies the effective use of resources each year, to ensure continuous improvement in this field. The Group has also engaged the Hong Kong Quality Assurance Agency to carry out regular confirmation of our ISO 14001 qualification for management of waste and resource provision in our construction works.

During construction works, the operation of machinery and equipment and the construction processes create noise, which may affect people living or working nearby. We strictly implement the guidelines regarding construction noise pollution caused by our main contractors, and comply with the Noise Control Ordinance (Cap. 400, Laws of Hong Kong). Under the Noise Control Ordinance, all construction activities are controlled by means of a system of Construction Notice Permits ("CNP") issued by the EPD. In addition, the carrying out of general construction works using powered mechanical equipment is prohibited between 7 p.m. and 7 a.m., and at any time on a general holiday, including Sundays, unless a valid CNP is in force. In our daily operations, we seek to minimise significant impact on wastewater pollution. Based on the guidelines from main contractors, we have set up a wastewater collection basin in each construction site for wastewater handling. In addition, wastewater treatment facilities have also been deployed for each site for discharge of any wastewater.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

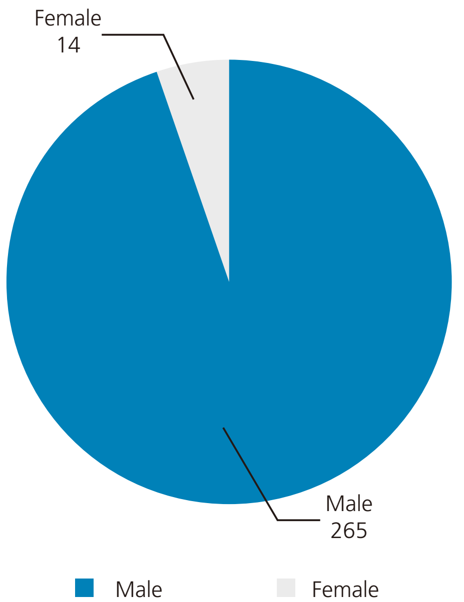
II. SOCIAL

II.1 Employment and Labour Practices

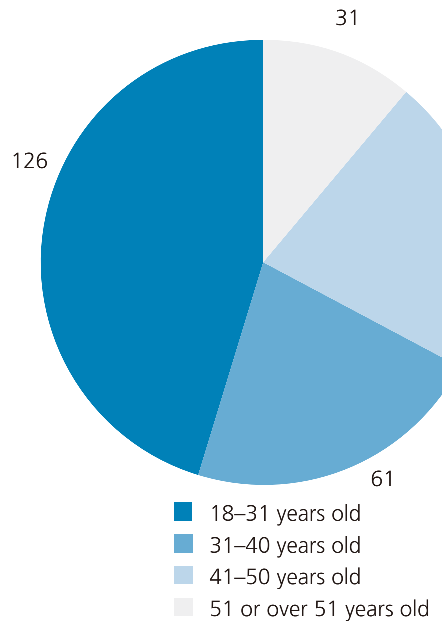
Employees are the most valuable assets of the Group, and the Group's growth depends on the unremitting efforts and dedicated service of all staff. The Group respects human rights and believes that every employee should be treated with respect. Starting from the employment system, the Group is committed to creating an equal and ideal working environment for our employees. From recruitment to promotion, the Group follows open, fair and ability-first management principles. We only consider the qualifications, experience and skills of applicants and employees, and disregard gender, race, ethnicity, age or religion. The Group makes available a variety of job opportunities, and encourages promotion and retention of talent. To attract and retain talent, we conduct annual appraisals to review staff performance. Additionally, we prohibit all forms of forced labour, child labour and employment of illegal workers in any workplaces, and are committed to complying with the relevant laws and regulations.

As at 31 March 2018, the composition of our staff was as shown in the following figures. Due to the nature of our business, male employees represent the major part of our labour force.

Employees by gender



Employees by age group



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 31 March 2018, we employed a total of 279 staff, including office and site staffs. Due to our operational locations, all our staff members are located in Hong Kong. Moreover, since the major business of the Group is construction as a sub-contractor, the majority of our employees are junior level staff. The number of junior level, middle management and senior management staff are 263, 11 and 5 respectively. Our staff enjoys equality of opportunity while working with us. Under our human resources policies, we comply firmly with the relevant laws and legislation such as the Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 282), Personal Data (Privacy) Ordinance (Cap. 486), Sex Discrimination Ordinance (Cap. 480) and Disability Discrimination Ordinance (Cap. 487) of the Laws of Hong Kong. The Group has zero tolerance for use of forced or child labour, or the hiring of illegal immigrants in either our office or construction sites. Our HR department imposes stringent controls in the recruitment process to prevent such illegal recruitment. For the year ended 31 March 2018, the Group had not received any notice of non-compliance in relation to employment and labour laws regulations.

II.2 Health and Safety

Under a philosophy that puts life and safety first, the Group upholds best-in-industry work safety standards and practices. Prior to the commencement of each project, we employ a Registered Safety Officer ("RSO") and establish relevant safety policies and procedures with regular review by the Board of Directors. Our RSO is responsible for providing basic safety rules and training to our staffs and sub-contractors, monitoring the work environment and staff facilities regularly, acting as a key contact for emergency and injury reporting, and working out annual safety assessments in both offices and sites. Moreover, the Group has specifically engaged a registered safety auditor to oversee the implementation of the health and safety policies and to update the policies annually so as to ensure that the Group maintains a high standard of health and safety. Furthermore, the Group has obtained OHSAS 18001:2007 accreditation for our occupational health and safety management system, which is committed to taking account of occupational health and safety requirements.

We ensure our site staffs are provided with full sets of Personal Protective Equipment ("PPE") such as safety helmets, harnessing, ear plugs, goggles, dust masks, gloves, safety shoes and reflective waistcoats. All our machinery and site vehicles also undertake regular performance and safety testing. The Company attaches great importance to safety training, and focuses on frontline and operational personnel. Through pre-work education and project site broadcast and billboard measures, the Company raises the safety awareness of staff and guarantees operational safety. At the same time, close communication and collaboration with main contractors is also important, so that we can obtain timely updates from them. Safety meetings and site inspections are held regularly to monitor the health and safety of workers. As at 31 March 2018, the Group had reported 4 work-injury incidents, which lead to 867 lost days. The Group is pleased to report that no work-related fatalities occurred.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II.3 Training and Development

The Group believes that nurturing and retaining talent is the key for ensuring our business development and strengthening our competitiveness. The Group has focused on cultivation of professional skills and accumulation of knowledge in training measures, as we are keen to provide health and safety training to our employees in multiple areas, including workplace safety, safe use of personal protective equipment and operations involving manual handling. Before commencing onsite work, our employees are required to attend an induction training session, to ensure they have understood health and safety policies in the workplace. During the reporting year, the percentage of our staffs participating in training was, by gender, 19% (males) and 29% (females), with average training duration of approximately 12 hours and 2 hours respectively. The percentage of employees participating in training activities for senior management and junior-level staff was approximately 19.7% and 40% respectively. The Group recognises the importance of employee self-development, and ensures equality of opportunity in training for different levels of staff. The average duration of training activities for senior management and junior level staff was 1.2 hours and 3.6 hours respectively.

III. OPERATING PRACTICES

III.1 Supply Chain Management

The Group believes that the reliability and quality of construction works are crucial to our reputation. For this reason, it has implemented quality control procedures with documentation covering all stages of our construction processes, from procurement of raw materials to completion of construction works, allowing us to verify and ensure the consistency of quality. The Group has adopted and implemented a quality control system that complies with international standard ISO 9001:2008. In carrying out a procurement, we ensure that the services or goods are sourced from the approved suppliers list. We also evaluate existing suppliers' and sub-contractors' performance on a regular basis. When selecting new suppliers or sub-contractors, during our tender process we take into account their quality of work or services, on-time delivery record, financial stability, past performance and reputation. During the reporting year, the Group engaged a total of 63 suppliers. All of them were from Hong Kong, as we can reduce transportation costs that way, and our business operations were based locally.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III.2 Product Responsibility

The Group is committed to delivering quality construction projects completed to specification. To this end, our Health Safety & Environment and Quality policies are strictly implemented, while the quality management system of our construction arm has adopted the requirements of ISO 9001 to ensure product quality. Also, we recognise that good customer relationships and after-sales services are the key factors influencing our success and sustainability. Therefore, we have set up a dedicated customer communication channel to handle queries and feedback efficiently. Similarly, customer complaints are thoroughly investigated and root causes are identified and acted on, in line with quality management system standards. We endeavour to deliver our construction works and rental services in a way that meets customers' expectations and provides satisfaction. As a result, we are committed to substantiating compliance with relevant laws and regulations within our construction works and rental services, and to ensuring all machinery is approved or exempted by label as Non-Road Mobile Machinery ("NRMM"), and we have obtained the Certificate of Test and Thorough Examination of Lifting Appliances under the Labour Department of Hong Kong and EPD respectively. Plant and equipment operators must hold the licensed construction machinery and vehicle operators' registration respectively. Plant and equipment operators must hold the licensed construction machinery and vehicle operators' registration under the Construction Workers Registration Board of the Construction Industry Council. During the reporting period, no complaint was received from customers regarding our services, and the Group has not identified any non-compliance with the relevant laws and regulations in respect of product responsibility.

III.3 Anti-Corruption

At the heart of the Group lie our core values of honesty, integrity and fair play. The Group expects its directors, officers and employees to uphold those values at all times. An anti-corruption policy and whistleblowing programme are also included in our staff handbook and internal control manual to demonstrate this commitment. We have also set up a separate email address as a confidential whistleblowing channel to the Audit Committee, to allow employees to report any misconduct or malpractice observed. As at 31 March 2018, the Group was in compliance with the relevant rules and regulations regarding bribery, extortion, fraud and money laundering. We are not aware any breach of laws and regulations within the Group.

III.4 Community Involvement

The Group always fulfils its employment responsibility, which is considered to be a key element of corporate social responsibility. We are committed to deepening our contribution to the community. In addition, we contribute to society via a donation of HK$120,000. The Group will continue to participate actively in social welfare activities, to better serve the community and motivate our employees to participate in community enhancement events.

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF PROGRESSIVE PATH GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Progressive Path Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 105, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

REVENUE RECOGNITION FROM CONSTRUCTION WORKS

Refer to note 7 to the consolidated financial statements and the accounting policies on page 62.

The key audit matter

We identified construction works revenue as a key audit matter as it is quantitatively significant to the consolidated financial statements as a whole and there are significant degree of management judgement exercised in determining the total outcome of the construction project as well as the percentage of completion of construction works.

The Group has recognised revenue from the construction works of approximately HK$133,595,000 for the year ended 31 March 2018.

How the matter was addressed in our audit

We assessed whether the stage of completion at the end of the reporting period was reasonable through critically challenging the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs of the construction contracts.

We assessed the revenue recognised for the reporting period through checking the supporting documents, such as contracts, variation orders and payment certificates, and recalculated the revenue recognised based on the stage of completion to the total contract sum and work values from variation orders.

We assessed reliability of management's assessment in budget cost by considering the historical actual costs and estimation of budget costs of completed project.

IMPAIRMENT ON TRADE AND RETENTION RECEIVABLES

Refer to note 18 to the consolidated financial statements and the accounting policies on page 66.

The key audit matter

As at 31 March 2018, the Group had trade and retention receivables of approximately HK$212,373,000. In addition, there were trade receivables which were past due but not impaired amounted to approximately HK$157,944,000.

We identified the impairment of trade and retention receivables as a key audit matter as the amounts are significant to the consolidated financial statements as a whole and there is significant degree of management judgement involved in assessing the ultimate realisation of these receivables, based on the current creditworthiness and the past collection history of each customer.

How the matter was addressed in our audit

Our audit procedures were designed to review the management's assessment of the indicators of impairment and challenge the reasonableness of the methods and assumptions used to estimate the allowance for doubtful debts.

We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing. We have also challenged the assumptions and critical judgement used by the management by assessing the reliability of the management's past estimates and taking into account the ageing at year end and cash received after year end as well as the recent creditworthiness of each debtor.

INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

- 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.

INDEPENDENT AUDITOR'S REPORT

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

We communicate with 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 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 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Pang Wai Hang.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
28 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	7	**381,816**	484,479
Cost of sales		**(345,198)**	(416,736)
Gross profit		**36,618**	67,743
Other income	8	**8,176**	5,954
Administrative expenses		**(30,300)**	(34,763)
Finance costs	9	**(6,533)**	(7,163)
Profit before taxation		**7,961**	31,771
Income tax expenses	10	**(2,248)**	(7,841)
Profit and total comprehensive income for the year attributable to the owners of the Company	11	**5,713**	23,930
Earnings per share:			
Basic and diluted	15	**0.55 cents**	2.69 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	16	**112,358**	149,968
Deposit paid for acquisition of property, plant and equipment		**1,565**	843
		113,923	150,811
Current assets			
Inventories	17	**6,211**	–
Trade and retention receivables	18	**212,373**	216,381
Amounts due from customers for contract work	19	**17,073**	20,711
Deposits, prepayments and other receivables	20	**14,363**	10,458
Income tax recoverable		**464**	466
Bank balances and cash	21	**77,441**	99,342
		327,925	347,358
Current liabilities			
Trade, bills and other payables	22	**46,463**	93,401
Amounts due to customers for contract work	19	**264**	96
Amount due to a related company	23	**86**	5,354
Bank borrowings	24	**45,452**	41,659
Obligations under finance leases – due within one year	25	**38,027**	39,118
		130,292	179,628
Net current assets		**197,633**	167,730
Total assets less current liabilities		**311,556**	318,541

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	27	**10,375**	10,375
Reserves		**242,087**	236,374
		252,462	246,749
Non-current liabilities			
Obligations under finance leases – due after one year	25	**51,820**	61,685
Deferred tax liabilities	26	**7,274**	10,107
		59,094	71,792
		311,556	318,541

The consolidated financial statements on page 46 to 105 were approved and authorised for issue by the board of directors on 28 June 2018 and are signed on its behalf by:

Wu Wing Hang
Director

Chan Tak Ming
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note i)	Retained profits HK$'000	Total HK$'000
At 1 April 2016	–	–	35,457	96,909	132,366
Profit and total comprehensive income for the year	–	–	–	23,930	23,930
Interim dividend for the period (note 14)	–	–	–	(29,000)	(29,000)
Capitalisation issue of shares (note 27(f))	8,250	(8,250)	–	–	–
Issuing of ordinary shares in connection with the listing of shares of the Company (note 27(g))	2,125	125,375	–	–	127,500
Share issue expenses	–	(8,047)	–	–	(8,047)
At 31 March 2017	**10,375**	**109,078**	**35,457**	**91,839**	**246,749**
Profit and total comprehensive income for the year	–	–	–	5,713	5,713
At 31 March 2018	**10,375**	**109,078**	**35,457**	**97,552**	**252,462**

Note:

(i) Other reserve represents the retained earnings in respect of the construction machinery rental business (the "Construction Machinery Rental Business") contribution from the controlling shareholder prior to the transfer of business to the Group. Since 1 April 2015, the Construction Machinery Rental Business has been transferred from the controlling shareholder to Luen Yau Construction Company Limited ("Luen Yau Construction").

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**7,961**	31,771
Adjustments for:		
Gain on disposal/written off of property, plant and equipment	**(2,360)**	(84)
Government subsidy	**–**	(91)
Bank interest income	**(9)**	(1)
Impairment loss on trade receivables	**5,194**	4,679
Reversal of impairment loss on trade receivables	**(4,311)**	(1,322)
Finance costs	**6,533**	7,163
Depreciation of property, plant and equipment	**73,758**	73,241
Operating cash flows before movements in working capital	**86,766**	115,356
Increase in inventories	**(11,767)**	–
Decrease (increase) in trade and retention receivables	**3,125**	(71,003)
Decrease (increase) in amount due from customers for contract work	**3,638**	(13,652)
Increase in deposits, prepayments and other receivables	**(3,905)**	(2,444)
(Decrease) increase in trade, bills and other payables	**(46,938)**	36,698
Increase (decrease) in amount due to customers for contract work	**168**	(2,760)
Decrease in amount due from a related company	**–**	1,039
Cash generated from operations	**31,087**	63,234
Hong Kong Profits Tax paid	**(5,079)**	(183)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**26,008**	63,051
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(16,693)**	(22,982)
Prepayment for acquisition of property, plant and equipment	**(1,565)**	(843)
Bank interest income received	**9**	1
Proceed from refund of prepayment for acquisition of property, plant and equipment	**–**	1,300
Proceeds from disposal of property, plant and equipment	**7,091**	5,051
NET CASH USED IN INVESTING ACTIVITIES	**(11,158)**	(17,473)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
FINANCING ACTIVITIES		
Repayment of obligations under finance lease	**(28,743)**	(55,045)
Repayment of bank borrowings	**(51,436)**	(27,827)
Interest paid	**(6,533)**	(7,163)
Repayment to a related company	**(5,268)**	(13,774)
New bank borrowings raised	**55,229**	33,310
Repayment to controlling shareholder	**–**	(10,346)
Share issue expenses	**–**	(8,047)
Proceeds from public offer and placing of shares	**–**	127,500
Government subsidy	**–**	91
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(36,751)**	38,699
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(21,901)**	84,277
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**99,342**	15,065
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**77,441**	99,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 21 April 2016 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on 8 December 2016. Its ultimate holding company and immediate holding company is Profit Gold Global Limited, a limited company incorporated in the British Virgin Islands ("BVI"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company while the principal subsidiaries are principally engaged in the construction works, provision of construction machinery rental services and trading of construction machinery.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and its subsidiaries (the "Group").

Pursuant to the reorganisation as set out in the section headed "History, Development and Group Structure" in the prospectus of the Company, dated 28 November 2016 (the "Reorganisation"), the Construction Machinery Rental Business of Luen Yau Construction Company ("Luen Yau Company"), a sole proprietorship established by Mr. Wu Wing Hang (the "Controlling Shareholder"), have been transferred to the Group on 1 April 2015 and the Company became the holding companies now comprising the Group on 13 May 2016, the Group and the Construction Machinery Rental Business have been under the control and beneficially owned by the Controlling Shareholder throughout the year ended 31 March 2017. The Group comprising the Company and its subsidiaries and the Construction Machinery Rental Business resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the companies comprising the Group and the Construction Machinery Rental Business throughout the year ended 31 March 2017.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows include the results and cash flows of the companies now comprising the Group and the results of the Construction Machinery Rental Business for the year ended 31 March 2017 have been prepared as if the current group structure had been in existence throughout the year ended 31 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of the above new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current year and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The amendments 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 amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in note 34. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in note 34, the directors of the Company considered that these amendments have had no impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective

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

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

1 Effective for annual period beginning on or after 1 January 2018.
2 Effective for annual period beginning on or after 1 January 2019.
3 Effective for annual period beginning on or after 1 January 2021.
4 Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company has performed a preliminary analysis of the Group's financial instruments as at 31 March 2018 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The directors of the Company expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs.

The classification and measurement requirements for financial liabilities under HKFRS 9 (2014) 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 own 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 may not have any impact on the Group on adoption of HKFRS 9 (2014).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

(b) Impairment

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and retention receivables and other receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and retention receivables and other receivables and increase the amount of impairment allowance recognised for these items.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when (or as) the entity satisfies a performance obligation

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows 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.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

The major sources of revenue of the Group are revenue from construction contracts, provision of machinery rental and sales of machinery. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 March 2018.

In respect of the construction contracts, the directors of the Company have considered the guidance of HKFRS 15 on contract combination, contract modifications, variable consideration and the existence of significant financing component in the contracts. The directors of the Company have assessed that revenue from these construction contracts will be recognised over time during the course of construction. Furthermore, the directors of the Company have considered that the input method currently used to measure the progress towards complete satisfaction of these performance obligations appropriately depicts the performance under the contracts and will continue to be applied under HKFRS 15. The directors of the Company expect that the adoption of HKFRS 15 will not have material impact on amounts reported in the Group's consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 16 Leases (Continued)

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$150,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Company Ordinance. The consolidated financial statements have been prepared on historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements 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 is attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

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

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

Merger accounting for business combination involving entities under common control

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

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period unless the combining entities or businesses first came under common control at a later date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business and net of discounts.

Revenue recognition for construction contracts in relation to site construction, upgrade services of the infrastructure and foundation works included in the segment of construction works is set out in the section headed "Construction contracts" below.

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Sale of scrap material income is recognised when the customer has accepted the goods and the related risks and rewards of ownership. The income is after deduction of any trade discounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts

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

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

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

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and retention receivables.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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

Retirement benefits cost

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

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight line method for the property, plant and equipment. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Bank balances and cash in the consolidated statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash, as defined above.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Financial instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and retention receivables, deposits and other receivables, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

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

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and retention receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and retention receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and retention receivables and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

Other financial liabilities including trade, bills and other payables, amount due to a related company, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in investments revaluation reserve is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the 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.

Key sources of estimation uncertainty

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

Construction contracts revenue recognition

The Group recognised contract revenue and profit of a construction contract according to the management's estimation of the total outcome of the project. The Group's management estimates the percentage of completion of construction works based on actual costs incurred over the total budgeted costs. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful life, using the straight line method. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. As at 31 March 2018, the carrying amounts of property, plant and equipment are approximately HK$112,358,000 (2017: HK$149,968,000).

Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 March 2018, the carrying amounts of property, plant and equipment are approximately HK$112,358,000 (2017: HK$149,968,000), no impairment losses was recognised for the years ended 31 March 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Allowance for inventories

The management of the Group reviews the ageing of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The identification of obsolete inventories requires the use of estimation of the net realisable value of items of inventory and judgements on the conditions and usefulness of items of inventories. Where the expected net realisable value is lower than the cost of certain items, a write-down of inventories may arise. As at 31 March 2018 the carrying amounts of inventories were approximately HK$6,211,000 (2017: nil), no allowance for inventories was recognised for the years ended 31 March 2018 and 2017.

Impairment loss recognised in respect of trade and retention receivables

The policy for making impairment loss on trade and retention receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 March 2018, the carrying amounts of trade receivables were approximately HK$188,156,000 (2017: HK$186,364,000) (net of allowance for doubtful debts of approximately HK$7,047,000 (2017: HK$6,164,000). The carrying amounts of retention receivables were approximately HK$24,217,000 (2017: HK$30,017,000), no impairment loss on retention receivables was recognised during the years ended 31 March 2018 and 2017.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings disclosed in note 24, obligations under finance leases disclosed in note 25, and bank balances and cash disclosed in note 21, and equity attributable to the owners of Group, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through use of debts, payment of dividends and issuance of new shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	**291,527**	316,367
Financial liabilities		
Financial liabilities stated at amortised cost	**181,769**	238,967

Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and retention receivables, deposits and other receivables, bank balances and cash, trade, bills and other payables, amount due to a related company, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included credit risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at 31 March 2018, the Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and retention receivables and other receivables regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Management considers the credit risk attributable to the amount due from a controlling shareholder is limited because the balances are regularly reviewed and settled.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is in Hong Kong, which accounted for all of the total trade receivables as at 31 March 2018 and 2017.

The Group has concentration of credit risk as 3% (2017: 3%) and 36% (2017: 32%) of the total trade receivables was due from the Group's largest customer and the top five largest customers respectively as at 31 March 2018.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate obligations under finance leases (note 25). The Company currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to bank balances, variable-rate bank borrowings, and obligations under finance leases (see notes 21, 24 and 25 respectively). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's Hong Kong dollar denominated borrowings and obligation under finance leases.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2017: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2018 would decrease/increase by approximately HK$540,000 (2017: HK$743,000). This is mainly attributable to the Group's exposure to interest rates on variable-rate bank borrowings and obligation under finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the Group relies on bank borrowings and obligations under finance leases as a significant source of liquidity and the management monitors the utilisation of bank borrowings and obligations under finance leases and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flow. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	At 31 March 2018				
	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade, bills and other payables	46,384	–	–	46,384	46,384
Amount due to a related company	86	–	–	86	86
Bank borrowings	47,035	–	–	47,035	45,452
Obligations under finance leases	41,559	28,284	26,406	96,249	89,847
	135,064	28,284	26,406	189,754	181,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	At 31 March 2017				
	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade, bills and other payables	91,151	–	–	91,151	91,151
Amount due to a related company	5,354	–	–	5,354	5,354
Bank borrowings	42,870	–	–	42,870	41,659
Obligations under finance leases	43,440	30,720	35,135	109,295	100,803
	182,815	30,720	35,135	248,670	238,967

As at 31 March 2018, bank loans with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. The aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$45,452,000 (2017: HK$41,659,000). Taking into account the Group's financial position, the directors of the company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash flows will amount to approximately HK$47,035,000 (2017: HK$42,870,000).

Fair value measurement objective and policies

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of current financial assets, current and non-current financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

7. REVENUE AND SEGMENT INFORMATION

Information reported to the directors, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

– Construction works;

– Construction machinery rental; and

– Trading of construction machinery

During the year ended 31 March 2018, the Group commenced a new reporting and operating segment, namely, trading of construction machinery segment.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 March 2018

	Construction works HK$'000	Construction machinery rental HK$'000	Trading of construction machinery HK$'000	Total HK$'000
Segment revenue				
External revenue	133,595	196,794	51,427	381,816
Inter-segment revenue	–	69,999	–	69,999
Segment revenue	133,595	266,793	51,427	451,815
Eliminations				(69,999)
Group revenue				381,816
Segment profit	7,999	10,899	2,753	21,651
Unallocated income				3,865
Unallocated corporate expenses				(11,022)
Unallocated finance costs				(6,533)
Profit before tax				7,961

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 March 2017

	Construction works HK$'000	Construction machinery rental HK$'000	Total HK$'000
Segment revenue			
External revenue	216,170	268,309	484,479
Inter-segment revenue	–	113,053	113,053
Segment revenue	216,170	381,362	597,532
Eliminations			(113,053)
Group revenue			484,479
Segment profit	30,085	25,569	55,654
Unallocated income			4,632
Unallocated corporate expenses			(21,352)
Unallocated finance costs			(7,163)
Profit before tax			31,771

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, other income and finance costs. This is the measure reported to the directors with respect to the resource allocation and performance assessment.

Inter-segment sales are conducted with terms mutually agreed by both contract parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	2018 HK$'000	2017 HK$'000
Construction works	**147,949**	210,356
Construction machinery rental	**178,833**	187,813
Trading of construction machinery	**36,977**	–
Total segment assets	**363,759**	398,169
Corporate and other assets	**78,089**	100,000
Total assets	**441,848**	498,169

Segment liabilities

	2018 HK$'000	2017 HK$'000
Construction works	**109,832**	139,320
Construction machinery rental	**24,350**	53,432
Trading of construction machinery	**–**	–
Total segment liabilities	**134,182**	192,752
Corporate and other liabilities	**55,204**	58,668
Total liabilities	**189,386**	251,420

For the purposes of monitoring segment performance and allocating resources between segments:

– All assets are allocated to operating segment, other than unallocated deposits, prepayments and other receivables, income tax recoverable and bank balance and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

– All liabilities are allocated to operating segments, other than unallocated other payables, amounts due to a related company, income tax payable, bank borrowings and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

7. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 March 2018

	Construction works HK$'000	Construction machinery rental HK$'000	Trading of construction machinery HK$'000	Unallocated HK$'000	Total HK$'000
Amounts include in the measure of segment profit or segment assets:					
Addition to non-current assets (Note)	16,515	24,364	–	–	40,879
Depreciation of machinery and equipment	7,849	64,473	–	1,436	73,758
Reversal of impairment loss on trade receivables	–	(4,311)	–	–	(4,311)
Impairment loss on trade receivables	–	5,194	–	–	5,194
Gain on disposal of property, plant and equipment	(954)	(1,406)	–	–	(2,360)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest income	–	–	–	(9)	(9)
Interest expense	–	–	–	6,533	6,533
Income tax expense	–	–	–	2,248	2,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

7. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 March 2017

	Construction works HK$'000	Construction machinery rental HK$'000	Unallocated HK$'000	Total HK$'000
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets (Note)	40,917	50,825	–	91,742
Depreciation of property, plant and equipment	3,617	68,742	882	73,241
Reversal of impairment loss on trade receivables	(217)	(1,105)	–	(1,322)
Impairment loss on trade receivables	196	4,483	–	4,679
Gain on disposal of property, plant and equipment	(30)	(54)	–	(84)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	(1)	(1)
Interest expense	–	–	7,163	7,163
Income tax expenses	–	–	7,841	7,841

Note: Non-current assets excluded those relating to deposit paid for acquisition of property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

7. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2018 HK$'000	2017 HK$'000
Customer A[1]	81,125	N/A[4]
Customer B[2]	48,800	50,169
Customer C[3]	39,462	N/A[4]
Customer D[1]	N/A[4]	59,141
Customer E[1]	N/A[4]	51,356

1 Revenue from both construction work and construction machinery rental segments.
2 Revenue from construction machinery rental segment.
3 Revenue from trading of construction machinery segment.
4 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Geographical information

During the year ended 31 March 2018, the Group is organised into three (2017: two) operating segments as construction works, construction machinery rental and trading of construction machinery (2017: construction works and construction machinery rental) primarily in Hong Kong and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to these three (2017: two) segments. Accordingly, no geographical information is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

8. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Sales of scrap materials	**294**	1,145
Insurance claim	**674**	1,238
Auxiliary and other service income	**486**	1,012
Reversal of impairment loss on trade receivables	**4,311**	1,322
Government subsidy (Note)	**–**	91
Gain on disposal of property, plant and equipment	**2,360**	84
Bank interest income	**9**	1
Machine repairment service income	**4**	124
Sundry income	**38**	937
	8,176	5,954

Note: The income is government subsidy received under the "Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles" upon disposal of certain motor vehicles during the year ended 31 March 2017, which immediately recognised as other income for the year as the Group has fulfilled the relevant granting criteria.

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on:		
bank borrowings	**1,274**	795
obligations under finance leases	**5,259**	6,368
	6,533	7,163

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

10. INCOME TAX EXPENSES

	2018 HK$'000	2017 HK$'000
Current tax:		
Hong Kong Profits Tax	**5,081**	7,983
Over-provision:		
Hong Kong Profits Tax	**–**	(111)
Deferred taxation (note 26)	**(2,833)**	(31)
Income tax expenses	**2,248**	7,841

Notes:

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

(b) During the years ended 31 March 2018 and 2017, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

The income tax expenses can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	2018 HK$'000	2017 HK$'000
Profit before taxation	**7,961**	31,771
Tax calculated at the domestic income tax rate of 16.5%	**1,314**	5,242
Tax effect of expenses not deductible for tax purposes	**926**	2,750
Tax effect of income not taxable for tax purposes	**(2)**	–
Tax loss not recognised	**40**	–
Temporary difference previously not recognised	**30**	–
Over-provision for previous year	**–**	(111)
Effect of tax exemption granted	**(60)**	(40)
Income tax expense for the year	**2,248**	7,841

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for both years of assessment 2017/2018 and 2016/2017 by 75%, subject to a ceiling of HK$30,000 and HK$20,000 for each entity respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

11. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	HK$'000
Profit for the year has been arrived at after charging:		
Staff costs		
Salaries, wages and other benefits	**79,487**	110,157
Retirement benefits scheme contribution	**3,266**	4,457
Total staff costs (excluding directors' remuneration (note 12))	**82,753**	114,614
Auditor's remuneration	**942**	942
Depreciation of property, plant and equipment	**73,758**	73,241
Impairment loss on trade receivable	**5,194**	4,679
Operating leases rental relates to office premises and storage area	**463**	1,189
Amount of inventories recognised as an expense	**46,778**	–
Listing expenses	**–**	11,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of directors' emoluments and chief executive are as follows:

Emoluments paid or receivable in respect of a persons services as a director, whether of the Company or its subsidiary undertaking:	**Fees**	**Salaries, allowances and other benefits**	**Retirement benefits scheme contributions**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2018				
Executive directors				
Mr. Wu Wing Hang (Notes i, ii)	**–**	**3,575**	**18**	**3,593**
Mr. Chan Tak Ming (Notes i, iii)	**–**	**390**	**18**	**408**
Independent non-executive directors				
Mr. Wong Yiu Kit, Ernest (Note iv)	**60**	**–**	**–**	**60**
Mr. Lee Man Tai (Note iv)	**60**	**–**	**–**	**60**
Mr. Leung Ka Fai (Note iv)	**60**	**–**	**–**	**60**
	180	**3,965**	**36**	**4,181**
Year ended 31 March 2017				
Executive directors				
Mr. Wu Wing Hang (Notes i, ii)	–	3,600	16	3,616
Mr. Chan Tak Ming (Notes i, iii)	–	390	18	408
Independent non-executive directors				
Mr. Wong Yiu Kit, Ernest (Note iv)	20	–	–	20
Mr. Lee Man Tai (Note iv)	20	–	–	20
Mr. Leung Ka Fai (Note iv)	20	–	–	20
	60	3,990	34	4,084

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Notes:

(i) The remuneration includes remuneration received from the Group by the director in his capacity as an employee of the subsidiaries.

(ii) Mr. Wu Wing Hang was a director of the Company's subsidiaries, Luen Yau Construction and Luen Yau Machinery Construction Company Limited ("Luen Yau Machinery"). On 21 April 2016, he was re-designated as chairman and executive director of the Company.

(iii) Appointed on 31 May 2016.

(iv) Appointed on 15 November 2016.

No chief executive was appointed during the years ended 31 March 2018 and 2017.

The directors of the Company did not waive or agree to waive the emolument paid by the Group during the years ended 31 March 2018 and 2017. No emoluments were paid by the Group to the directors as an inducement for joining the Group or as compensation for loss of office during the years ended 31 March 2018 and 2017.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments, one (2017: one) was director of the Company whose emoluments are set out in note 12. The emoluments of the remaining four (2017: four) highest paid individuals were as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits	**2,675**	2,519
Contributions to defined contribution retirement benefits scheme	**72**	72
	2,747	2,591

Their emoluments were within the following bands:

	2018 Number of individuals	2017 Number of individuals
Nil to HK$1,000,000	**4**	4

No emoluments were paid by the Group to the five highest paid individuals as an inducement for joining the Group or as compensation for loss of office during the years ended 31 March 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

14. DIVIDEND

	2018 **HK$'000**	2017 HK$'000
Dividend recognised as distribution during the year	**–**	29,000

An interim dividend was paid by a subsidiary, Luen Yau Construction, to the controlling shareholder, Mr. Wu Wing Hang, during the year ended 31 March 2017 amounted to HK$29,000,000 per share.

No dividend was paid or proposed during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period.

15. EARNINGS PER SHARE

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

	2018 **HK$'000**	2017 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**5,713**	23,930
	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000 shares)	**1,037,500**	888,596

The weighted average number of ordinary shares in issue during the year ended 31 March 2018 represents 1,037,500,000 ordinary shares in issue during the year ended 31 March 2018.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2017 have been retrospectively adjusted for the effects of the issue and capitalisation of the ordinary shares of the Company as a result of Reorganisation as disclosed in note 27 (a) to note 27 (f).

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Machinery	Furniture and equipment	Leasehold improvement	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 April 2016	–	70,474	213,982	113	116	284,685
Additions	9,686	43,276	38,431	62	287	91,742
Disposals/write-off	–	(521)	(10,049)	–	–	(10,570)
At 31 March 2017 and 1 April 2017	9,686	113,229	242,364	175	403	365,857
Additions	–	9,766	30,485	102	526	40,879
Disposals/write-off	–	(4,816)	(32,204)	–	(116)	(37,136)
At 31 March 2018	9,686	118,179	240,645	277	813	369,600
ACCUMULATED DEPRECIATION						
At 1 April 2016	–	32,843	115,316	37	55	148,251
Charge for the year	65	20,708	52,341	33	94	73,241
Eliminated on disposals/write-off	–	(187)	(5,416)	–	–	(5,603)
At 31 March 2017 and 1 April 2017	65	53,364	162,241	70	149	215,889
Charge for the year	387	25,883	47,068	37	383	73,758
Eliminated on disposals/write-off	–	(4,816)	(27,473)	–	(116)	(32,405)
At 31 March 2018	452	74,431	181,836	107	416	257,242
NET CARRYING VALUES						
At 31 March 2018	9,234	43,748	58,809	170	397	112,358
At 31 March 2017	9,621	59,865	80,123	105	254	149,968

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	Over the shorter of the term of the lease, or 25 years
Motor vehicles	4 years
Machinery	4 years
Furniture and equipment	5 years
Leasehold improvement	2 years

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The buildings are situated in Hong Kong and held under medium lease term.

At 31 March 2018, the Group's buildings with carrying values of approximately HK$9,234,000 (2017: HK$9,621,000) have been pledged to secure banking facilities granted to the Group.

The net carrying values of property, plant and equipment held under finance leases were as follows:

	2018 **HK$'000**	2017 HK$'000
Machinery	**20,642**	44,124
Motor vehicles	**37,197**	59,276
	57,839	103,400

17. INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Machinery held as merchandise for resale	**6,211**	–

18. TRADE AND RETENTION RECEIVABLES

The following is an analysis of trade and retention receivables at the end of each reporting period:

	2018 **HK$'000**	2017 HK$'000
Trade receivables	**195,203**	192,528
Less: allowance for impairment of trade receivables	**(7,047)**	(6,164)
	188,156	186,364
Retention receivables (note)	**24,217**	30,017
	212,373	216,381

Note: Except for the amounts of approximately HK$8,356,000 (2017: HK$18,334,000), which were expected to be recovered or settled after one year, all of the remaining balances are expected to be recovered within one year. All retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

18. TRADE AND RETENTION RECEIVABLES (Continued)

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aged analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the certified report or invoices which approximates revenue recognition date at the end of each reporting period.

	2018	2017
	HK$'000	HK$'000
Within 30 days	**29,930**	38,931
31 to 60 days	**25,697**	73,088
61 to 90 days	**7,315**	15,583
91 to 180 days	**14,373**	33,924
181 to 365 days	**85,623**	24,244
Over 365 days	**25,218**	594
	188,156	186,364

The movement in the allowance for impairment of trade receivables is set out below:

	2018	2017
	HK$'000	HK$'000
At the beginning of the year	**6,164**	2,807
Impairment loss recognised on trade receivables	**5,194**	4,679
Reversal on impairment of trade receivables	**(4,311)**	(1,322)
At the end of the year	**7,047**	6,164

Included in the allowance for impairment of trade receivables are individually impaired trade receivables with an aggregate balances of approximately HK$7,047,000 (2017: HK$6,164,000) due to long outstanding and unsatisfactory repayment record.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

18. TRADE AND RETENTION RECEIVABLES (Continued)

The aged analysis of trade receivable that were past due but not impaired are as follows:

	2018 HK$'000	2017 HK$'000
Past due but not impaired:		
Within 30 days	25,562	68,497
31 to 60 days	7,424	14,474
61 to 90 days	410	12,027
91 to 180 days	35,169	29,568
Over 181 days	89,379	15,476
	157,944	140,042

Included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately HK$157,944,000 (2017: HK$140,042,000) as at 31 March 2018 which were past due at the end of each reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and there is no recent history of default, therefore the amounts are considered recoverable. The average age of these receivables as at 31 March 2018 were 200 days (2017: 102 days).

19. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2018 HK$'000	2017 HK$'000
Contracts in progress at the end of each reporting period:		
Contract costs incurred plus recognised profits less recognised losses	433,052	664,985
Less: progress billings	(416,243)	(644,370)
	16,809	20,615
Analysed for reporting purpose as:		
Amounts due from customers for contract work	17,073	20,711
Amounts due to customers for contract work	(264)	(96)
	16,809	20,615

At 31 March 2018, retentions held by customers for contract work amounted to approximately HK$24,217,000 (2017: HK$30,017,000) respectively and have been included in trade and retention receivables under current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Deposits	**235**	191
Prepayments	**3,027**	489
Staff advance	**369**	446
Insurance prepayment	**9,623**	9,325
Other receivables	**1,109**	7
	14,363	10,458

21. BANK BALANCES AND CASH

Bank balances earned interest at floating rates based on daily bank deposit rates which range from 0.01% to 0.05% per annum (2017: 0.01% to 0.05% per annum).

22. TRADE, BILLS AND OTHER PAYABLES

	2018 **HK$'000**	2017 HK$'000
Trade payables	**25,221**	70,204
Bills payables	**–**	2,494
Receipt in advance	**79**	2,250
Other payables	**10,292**	6,301
Accruals	**10,871**	12,152
	46,463	93,401

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

	2018 **HK$'000**	2017 HK$'000
Within 30 days	**14,635**	20,562
31 to 60 days	**3,148**	30,832
61 to 90 days	**777**	9,984
91 to 365 days	**5,838**	7,501
Over 365 days	**823**	1,325
	25,221	70,204

The average credit period granted is 30 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

23. AMOUNT DUE TO A RELATED COMPANY

The detail of amounts due to related company is as follows:

	2018 HK$'000	2017 HK$'000
Luen Yau Company	86	5,354

The amount is unsecured, non-interest bearing and repayable on demand.

24. BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank loans	45,452	41,659

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2018 HK$'000	2017 HK$'000
Within one year	30,923	22,908
After one year but within two years	7,726	7,241
After two year but within five years	4,812	8,442
Over five years	1,991	3,068
	45,452	41,659
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	14,529	18,751
Carrying amount repayable within one year	30,923	22,908
	45,452	41,659
Amount shown under current liabilities	(45,452)	(41,659)
Amount shown under non-current liabilities	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

24. BANK BORROWINGS (Continued)

(a) The bank borrowings were denominated in HK$ for both years ended 31 March 2018 and 2017.

(b) At 31 March 2018, bank loans carried interest at floating rates ranging from 2.0% to 5.75% per annum (2017: 2.5% to 5.75% per annum).

(c) The amounts of banking facilities and the utilisation at the end of the reporting period are set out as follows:

	2018 HK$'000	2017 HK$'000
Facility amount	90,876	106,892
Utilisations		
– Bank borrowings	45,452	41,659
– Bills payable (note 22)	–	2,494
	45,452	44,153
Unutilised facility amount	45,424	62,739

As at 31 March 2017 and 2018, all banking facilities were secured by guarantees of the Company.

As at 31 March 2018, one of the banking facilities was secured by guarantees provided by subsidiaries. One of the guarantees is supported by a mortgage charged over a property which is owned by a subsidiary.

As at 31 March 2018, one of the banking facilities was secured by buildings with carrying amounts of approximately HK$9,234,000 (2017: HK$9,621,000).

As at 31 March 2018, certain banking facilities were secured by insurance prepayments with carrying amounts of approximately HK$9,623,000 (2017: HK$9,325,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

25. OBLIGATIONS UNDER FINANCE LEASES

	2018 HK$'000	2017 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**38,027**	39,118
Non-current liabilities	**51,820**	61,685
	89,847	100,803

It is the Group's policy to lease certain of its motor vehicles and machinery under finance lease. The average lease term is 4 years. The obligation under finance leases carried interest in ranged from 3.81% to 9.45% per annum (2017: 3.81% to 9.33% per annum).

	Minimum lease payments		Present value of minimum lease payments	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Amounts payable under finance leases				
Within one year	**41,559**	43,440	**38,027**	39,118
More than one year but less than two years	**28,284**	30,720	**26,349**	28,405
More than two years but less than five years	**26,406**	35,135	**25,471**	33,280
	96,249	109,295	**89,847**	100,803
Less: future finance charges	**(6,402)**	(8,492)	**N/A**	N/A
Present value of obligations under finance lease	**89,847**	100,803	**89,847**	100,803
Less: amounts due for settlement within 1 year (shown under current liabilities)			**(38,027)**	(39,118)
Amounts due for settlement after 1 year			**51,820**	61,685

As at 31 March 2018, the finance leases are secured by certain property, plant and equipment with carrying amounts of approximately HK$57,839,000 (2017: HK$103,400,000) of subsidiaries and guarantee provided by the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

26. DEFERRED TAX LIABILITIES

The following is the analysis of the deferred tax (liabilities), before set off certain deferred tax assets against deferred liabilities of the same taxable entity, for the financial reporting purposes:

	2018 **HK$'000**	2017 HK$'000
Deferred tax assets	**1,163**	1,017
Deferred tax liabilities	**(8,437)**	(11,124)
	(7,274)	(10,107)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Allowances HK$'000	**Accelerated tax depreciation** HK$'000	**Accumulated tax losses** HK$'000	**Total** HK$'000
At 1 April 2016	463	(11,016)	415	(10,138)
Credit (charge) to profit or loss	554	(108)	(415)	31
At 31 March 2017	1,017	(11,124)	–	(10,107)
Credit to profit or loss	146	2,687	–	2,833
At 31 March 2018	1,163	(8,437)	–	(7,274)

At 1 April 2016, the Group had unused tax losses of approximately HK$2,515,000 available for offset against future profits. A deferred tax asset has been recognised in respect of such losses. Such losses has been utilised for the year ended 31 March 2017.

As at 31 March 2018, no deferred tax asset has been recognised in respect of unused tax losses of approximately HK$244,000 (2017: nil) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

As at 31 March 2018, the Group has deductible temporary difference of approximately HK$180,000 (2017: nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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For the year ended 31 March 2018

27. SHARE CAPITAL

	Number of shares	Share capital HK$
Authorised		
Ordinary share of HK$0.01 each at the date of incorporation (Note a)	38,000,000	380,000
Increased during the year (Note b)	9,962,000,000	99,620,000
At 31 March 2017 and 2018	10,000,000,000	100,000,000
Issued and fully paid		
Ordinary share of HK$0.01 each at the date of incorporation (Note a)	1	–
Issue in consideration for the acquisition of the issued share capital of Neotime Global Limited ("Neotime Global") (Note c)	1	–
Issue in consideration for the acquisition of the issued share capital of Lufa Global Investment Limited ("Lufa Global") (Note d)	1	–
Issue in consideration for the acquisition of the issued share capital of Luen Yau Holdings Limited ("Luen Yau Holdings") (Note e)	1	–
Capitalisation issue (Note f)	824,999,996	8,250,000
Issue upon listing of the Company (Note g)	175,000,000	1,750,000
Issue upon the exercise of over-allotment (Note g)	37,500,000	375,000
At 31 March 2017 and 2018	1,037,500,000	10,375,000

Notes:

(a) On 21 April 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. At the date of incorporation, one nil-paid share of HK$0.01 was allotted and issued.

(b) Pursuant to the written resolutions of the then shareholder of the Company passed on 15 November 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of 9,962,000,000 new shares of HK$0.01 each.

(c) On 28 April 2016, the Company acquired the entire issued share capital of Neotime Global by allotting and issuing one share of HK$0.01 each as consideration to the Company.

(d) On 28 April 2016, the Company acquired the entire issued share capital of Lufa Global by allotting and issuing one share of HK$0.01 each as consideration to the Company.

(e) On 13 May 2016, the Company acquired the entire issued share capital of Luen Yau Holdings by allotting and issuing one share of HK$0.01 each as consideration to its then shareholder, Profit Gold Global Limited.

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27. SHARE CAPITAL (Continued)

Notes: (Continued)

(f) On 15 November 2016, pursuant to the written resolutions of the then shareholder of the Company, it was approved to issue 824,999,996 ordinary shares of HK$0.01 each to the shareholder by way of capitalisation of approximately HK$8,250,000 from the share premium account of the Company. Such shares were issued on 15 November 2016, being the date of capitalisation.

(g) In connection with the Company's placing and listing, on 7 December 2016, the Company issued 175,000,000 ordinary shares HK$0.01 each at a price of HK$0.60 per share. Of the gross proceeds amounting to HK$105,000,000, HK$1,750,000 representing the par value of the shares issued was credited to the Company's share capital, and HK$103,250,000, before the share issue expenses, were credited to the share premium account.

On 30 December 2016, the Company issued additional 37,500,000 ordinary shares HK$0.01 each at a price of HK$0.60 per share as a result of exercise of over-allotment options by the underwriter. Of the gross proceeds amounting to HK$22,500,000, HK$375,000 representing the par value of the shares issued was credited to the Company's share capital, and HK$22,125,000 were credited to the share premium account.

(h) All shares issued during the year ended 31 March 2017 rank pari passu with existing shares in all aspects (2018: nil).

28. COMMITMENTS

Operating lease commitment

The Group as lessee

The Group leases its office properties and storage area under operating lease arrangement. Lease is negotiated for an original term of two years. At the end of each reporting period, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**150**	648
In the second to fifth years inclusive	**–**	150
	150	798

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29. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and finance lease companies to secure the banking facilities and finance leases granted to the Group:

	2018 **HK$'000**	2017 HK$'000
Property, plant and equipment	**67,073**	113,021
Insurance prepayment	**9,623**	9,325
	76,696	122,346

30. CONTINGENT LIABILITIES

A subsidiary has been named as defendant in four (2017: five) High Court actions in respect of claims for compensation of personal injury for an amount of approximately HK$6,766,000 (2017: HK$8,774,000) in aggregate. Directors of the Company considered the claims are covered by the relevant insurance policies. No provision for potential liability has been made in the consolidated financial statements.

31. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to written resolution of the Company passed on 15 November 2016 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 7 December 2026. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

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 in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up on the date of grant, upon payment of HK$1.00. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the nominal value of the Company's share; (ii) the closing price of the Company's shares on the date of grant; and (iii) the average closing price of the shares for the five business days immediately preceding the date of grant.

No share options have been granted since the adoption of the scheme and during the years ended 31 March 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

32. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has entered into transactions with related party.

(a) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the year was as follows:

	2018	2017
	HK$'000	HK$'000
Short-term benefits	**6,965**	5,798
Post-employment benefits	**79**	76
	7,044	5,874

33. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 (HK$1,250 prior to June 2014) per month, to the MPF Scheme, in which the contribution is matched by employees.

During the year ended 31 March 2018, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately HK$2,748,000 (2017: HK$4,491,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Accrued interest HK$'000	**Amount due to a related company** HK$'000 (note 23)	**Bank loans** HK$'000 (note 24)	**Obligation under finance leases** HK$'000 (note 25)	**Total** HK$'000
At 1 April 2017	–	5,354	41,659	100,803	147,816
Financing cash flows:					
– Addition	–	–	55,229	–	55,229
– Repayment	(6,533)	(5,268)	(51,436)	(28,743)	(91,980)
Non-cash changes:					
– Interest recognised	6,533	–	–	–	6,533
– Addition	–	–	–	17,787	17,787
At 31 March 2018	–	86	45,452	89,847	135,385

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

35. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 March 2018, the Group entered into finance lease arrangements in respect of motor vehicles and machinery with a total capital value at the inception of the leases of approximately HK$17,787,000 (2017: HK$65,160,000).

(b) During the year ended 31 March 2018, the Group transferred machinery with an amount of approximately HK$5,556,000 from inventories to property, plant and equipment.

(c) During the year ended 31 March 2017, the Group purchased new buildings by obtaining a bank borrowing with a principle amount of approximately HK$3,600,000.

(d) During the year ended 31 March 2017, the Group obtained a bank borrowing with a principle amount of approximately HK$16,143,000 to settle income tax payables.

(e) During the year ended 31 March 2017, income tax payables at approximately HK$6,388,000 was settled by LYCC on behalf of the Group.

(f) During the year ended 31 March 2017, the interim dividend of total amount at HK$29,000,000 was settled by set off with the amount due to a controlling shareholder.

(g) Pursuant to the written resolutions passed by the shareholder of the Company on 15 November 2016, the directors of the Company were authorised to capitalise a sum of approximately HK$8,250,000 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 824,999,996 shares for allotment and issue to the then shareholder of the Company as at 15 November 2016 in proportion to his then respective shareholdings in the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Investments in subsidiaries		**106,532**	106,532
Current assets			
Deposits, prepayment and other receivables		**174**	182
Amounts due from subsidiaries	(a)	**31,701**	36,033
Bank balances and cash		**71,680**	89,075
		103,555	125,290
Current liabilities			
Bills and other payables		**2,389**	4,041
Amounts due to subsidiaries	(a)	**3,803**	18,160
		6,192	22,201
Net current assets		**97,363**	103,089
Total assets less current liabilities		**203,895**	209,621
Capital and reserves			
Share capital		**10,375**	10,375
Reserves	(b)	**193,520**	199,246
		203,895	209,621

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

36. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note (a):

The amounts are unsecured, non-interest bearing and repayable on demand.

Note (b):

Movements in reserves

	Share premium HK$'000	**Other reserve** HK$'000 (Note)	**Accumulated losses** HK$'000	**Total** HK$'000
At date of incorporation on 13 April 2016	–	–	–	–
Loss and total comprehensive expense for the year	–	–	(16,364)	(16,364)
Capitalisation issue of shares (note 27(f))	(8,250)	–	–	(8,250)
Arising from reorganisation	–	106,532	–	106,532
Issuing of ordinary shares in connection with the listing of shares of the Company (note 27(g))	125,375	–	–	125,375
Share issue expenses	(8,047)	–	–	(8,047)
At 31 March 2017	109,078	106,532	(16,364)	199,246
Loss and total comprehensive expense for the year	–	–	(5,726)	(5,726)
At 31 March 2018	109,078	106,532	(22,090)	193,520

Note: Other reserve represents the difference between the nominal value of the shares issued and the net asset value of the subsidiaries of the Company upon the Reorganisation on 13 May 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
			Direct		Indirect		
			2018	2017	2018	2017	
Neotime Global	BVI	United States dollar ("USD") 1	100%	100%	–	–	Investment holding
Lufa Global	BVI	USD1	100%	100%	–	–	Investment holding
Luen Yau Holdings	BVI	USD1	100%	100%	–	–	Investment holding
Luen Yau Construction	Hong Kong	HK$1	–	–	100%	100%	Construction works, construction machinery rental service and trading of construction machinery
Luen Yau Machinery Construction Company Limited	Hong Kong	HK$1	–	–	100%	100%	Construction machinery rental service
Luen Yau Management Services Limited	Hong Kong	HK$1	–	–	100%	100%	Investment holding
Luen Yau Management Company Limited	BVI	USD1	–	–	100%	100%	Investment holding

None of the subsidiaries has issued any debt securities outstanding at the end of both years or at any time during both years.

FINANCIAL SUMMARY

	For the year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue and Profit					
Revenue	**381,816**	484,479	409,349	366,729	159,693
Cost of sales	**(345,198)**	(416,736)	(342,995)	(314,539)	(122,884)
Gross profit	**36,618**	67,743	66,354	52,190	36,809
Other income	**8,176**	5,954	3,101	2,974	2,751
Administrative expenses	**(30,300)**	(34,763)	(16,878)	(6,817)	(3,258)
Finance costs	**(6,533)**	(7,163)	(7,571)	(5,384)	(1,632)
Profit before taxation	**7,961**	31,771	45,006	42,963	34,670
Income tax expenses	**(2,248)**	(7,841)	(8,258)	(7,100)	(5,429)
Profit and total comprehensive income for the year attributable to the owners of the Company	**5,713**	23,930	36,748	35,863	29,241
Earnings per share (HK$)					
Basic and diluted	**0.55 cents**	2.69 cents	4.45 cents	4.35 cents	3.54 cents

	As at 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Current assets	**327,925**	347,358	198,566	124,916	65,348
Non-current assets	**113,923**	150,811	137,734	166,413	115,714
Current liabilities	**(130,292)**	(179,628)	(144,980)	(116,819)	(82,614)
Non-current liabilities	**(59,094)**	(71,792)	(58,954)	(78,892)	(38,693)
Total equity	**252,462**	246,749	132,366	95,618	59,755