御佳控股有限公司

Royal Deluxe Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3789

2018

Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Kei Ming *(Chairman)*
Mr. Wang Yu Hin

Independent Non-executive Directors

Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Sio Kam Seng *(appointed on 17 January 2018)*
Mr. Lam Wai Ho *(resigned on 17 January 2018)*

BOARD COMMITTEES

Audit Committee

Mr. Kwong Ping Man *(Chairman)*
Mr. Lai Ah Ming Leon
Mr. Sio Kam Seng *(appointed on 17 January 2018)*
Mr. Lam Wai Ho *(resigned on 17 January 2018)*

Remuneration Committee

Mr. Lai Ah Ming Leon *(Chairman)*
Mr. Sio Kam Seng *(appointed on 17 January 2018)*
Mr. Kwong Ping Man
Mr. Wang Kei Ming
Mr. Lam Wai Ho *(resigned on 17 January 2018)*

Nomination Committee

Mr. Sio Kam Seng *(Chairman) (appointed on 17 January 2018)*
Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Wang Kei Ming
Mr. Lam Wai Ho *(resigned on 17 January 2018)*

COMPANY SECRETARY

Ms. Yim Sau Ping

AUTHORISED REPRESENTATIVES

Mr. Wang Kei Ming
Ms. Yim Sau Ping

COMPLIANCE ADVISER

Frontpage Capital Limited
26th Floor, Siu On Centre,
188 Lockhart Road,
Wanchai, Hong Kong

AUDITORS

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

LEGAL ADVISER AS TO HONG KONG LAWS

CFN Lawyers in association with Broad and Bright
Units 4101-04, 41st Floor,
Sun Hung Kai Centre,
30 Harbour Road,
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 22/F,
T G Place,
10 Shing Yip Street,
Kwun Tong, Kowloon,
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

PRINCIPAL BANKS

DBS Bank (Hong Kong) Limited
Dah Sing Bank, Limited

STOCK CODE

3789

WEBSITE

www.royal-deluxe.com

CHAIRMAN'S STATEMENT

On behalf of the Board (the "**Board**") of directors (the "**Directors**") of Royal Deluxe Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am pleased to present our annual report for the year ended 31 March 2018 (the "**Financial Year 2018**").

The principal activities of the Group are the provision of formwork erection and related ancillary services in Hong Kong. As an experienced formwork subcontractor, the customers we served are main contractors of building construction and civil engineering projects. The Group is principally a Hong Kong-based construction services provider, we have established long relationships with customers and suppliers, with our self-developed patented construction technology and equipment for effective construction management methods, our management team commit to provide high quality work and flexible solutions to our customers.

In the Financial Year 2018, the Group achieved a revenue of approximately HK$673.3 million, representing an increase of approximately 11.5% comparing with the revenue of approximately HK$603.8 million for the year ended 31 March 2017 (the "**Financial Year 2017**"). The profit attributable to owners of the Company decreased by approximately 12.1% to approximately HK$56.1 million for the Financial Year 2018 from approximately HK$63.8 million for the Financial Year 2017. The Group reported a gross profit of approximately HK$109.6 million for the Financial Year 2018, representing a decrease of approximately HK$6.9 million or approximately 5.9%, as compared to the gross profit of approximately HK$116.5 million in the Financial Year 2017 and reflected the challenging environment of formwork subcontracting businesses. In consideration of our development opportunity in 2019, the Board has proposed not to distribute the final dividend for the Financial Year 2018 .

Nevertheless, we remain confident and are well-positioned in the market. In the Financial Year 2018, the Group has been awarded seven new contracts with total contract value of approximately HK$461.8 million (the Financial Year 2017: approximately HK$403.9 million), representing an increase of approximately 14.3% to that of the Financial Year 2017. Meanwhile six subcontracting works were completed. As at 31 March 2018, there were thirteen subcontracting works projects in progress with an estimated total outstanding value of approximately HK$646.0 million (31 March 2017: approximately HK$701.4 million , and the level remains steady. We expect this remaining value to contract-on-hand would still provide the Group a steady business revenue and earnings for the coming years.

In the 2018 Budget Speech, the Government will adopt building information modelling ("**BIM**") technology in the design and construction of major government capital works projects, as well as encouraging the use of such technology in private works projects. In the aspect of construction innovation and technology applications, the Group has prioritised its BIM applications development and training projects, and promoted the use of innovates software for measurements, costing and tendering.

Looking ahead, the Group construction business will continuously be operated in a stable way in order to achieve a steady and healthy development. Meanwhile, we will keep looking for channels to expand our businesses into different constructions and geographical areas to capture new business opportunities.

Same as the year before, in order to increase the transparency and accountability to various stakeholders about our Group's Environmental, Social and Governance ("**ESG**") performance, we are pleased to present our ESG Report 2018 in this annual report which summarised our effort and performance in promoting and strengthening corporate social responsibility within the Group.

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.

Royal Deluxe Holdings Limited
Wang Kei Ming
Chairman

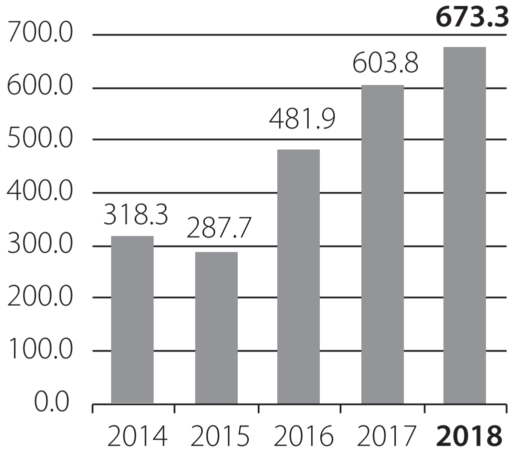
Hong Kong, 22 June 2018

HIGHLIGHTS

For the year ended 31 March	2018	2017	Change %
Financial Highlights (HK$' million)			
Revenue	**673.3**	603.8	11.5%
Gross profit	**109.6**	116.5	(5.9%)
Profit attributable to owners of the Company	**56.1**	63.8	(12.1%)
Profit attributable to owners of the Company (without listing expenses)	**56.1**	73.5	(23.7%)
Financial Ratios			
Gross profit margin	**16.3%**	19.3%	(15.5%)
Current ratio	**2.0**	2.1	(4.8%)
Quick ratio	**2.0**	2.1	(4.8%)
Gearing ratio	**22.1%**	12.4%	78.2%
Debt to equity ratio	**N/A**	N/A	N/A
Return on equity	**25.1%**	38.1%	(34.1%)
Return on total assets	**14.9%**	20.6%	(27.7%)
Interest coverage	**26.4 times**	28.1 times	(6.0%)
Financial information per share (HK cents)			
Earnings per share – Basic and diluted	**4.67**	6.29	(25.8%)

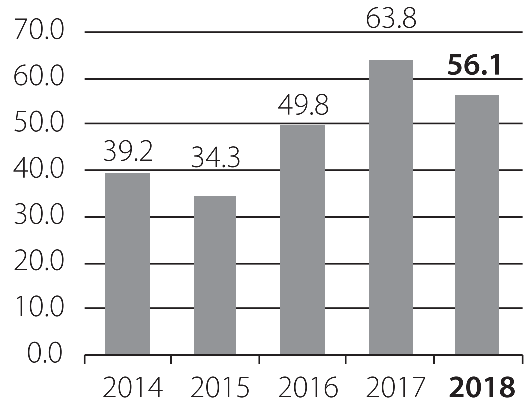
Revenue

HK$'million



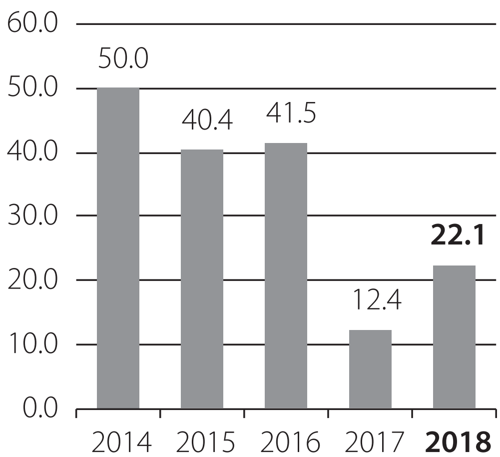
Profit attributable to owners of the Company

HK$'million



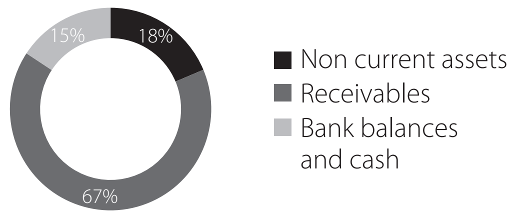
Gearing

Percentage



Assets Employed

At 31 March 2018



Capital and Liabilities

At 31 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is a major subcontractor, given the market share and the large number of players in the construction industry, specialising in providing formwork erection as well as related ancillary services in Hong Kong. The formwork business of the Group started since 1994 and has accumulated more than 23 years of experience. The direct customers of the Group are main contractors of building construction and civil engineering projects while the ultimate customers are owners of the projects, which include the Government, public transport operators and property developers. The Group adopted a continuing improvement approach in refining the workmanship and construction management process, developed several construction technology applications and system patents, as well as applied innovative software for measurement, costing and tendering, so as to be ready for Hong Kong's BIM applications.

Business Review

During the Financial Year 2018, the Group was awarded six formwork building projects and one formwork civil engineering project with an aggregate initial contract sum of approximately HK$461.8 million, compared with the aggregate initial contract sum of approximately HK$403.9 million for six new projects in the Financial Year 2017, representing an increase of approximately 14.3%.

As at 31 March 2018, there were thirteen subcontracting works projects in progress with an estimated total outstanding value of approximately HK$646.0 million, compared with the estimated total outstanding value of approximately HK$701.4 million for the Financial Year 2017, representing a decrease of approximately 7.9%. Nevertheless, the remaining value to contract-on-hand would still provide the Group with a steady business revenue for the coming years.

Year of award/project	Role	Nature of contract	Status
Year 2013-2014			
SCL1109 Shatin to Central Link, Sung Wong Toi and To Kwa Wan Stations	Sub-contractor	Formwork	Substantially completed
Year 2014-2015			
SC216 810B Western Kowloon Terminus Station South	Sub-contractor	Formwork	Substantially completed
Year 2015-2016			
M+ Museum project	Sub-contractor	Formwork	Work in progress
C0783 Public Rental Housing Development at Lin Shing Road, Chai Wan	Sub-contractor	Traditional Formwork, system formwork and installation of Façade	Work in progress
J3518 Tuen Mun Chek Lap Kok link, Southern Connection Viaduct Section	Sub-contractor	Formwork	Completed
Year 2016-2017			
J3628 Taikoo Place Phase 2A Development	Sub-contractor	Design, supply, install and dismantle of System, Slab Formwork Construction of Seagull Pier E6, E7 & E12	Work in progress
Pak Tin Estate Phase 7 and 8	Sub-contractor	Formwork	Work in progress
NKIL 6525 Kai Tak Area 1 I, Site 1	Sub-contractor	Formwork (supply and install)	Work in progress
C28137 no.18 & 20, Caine Road Project	Sub-contractor	Formwork	Work in progress
Advance works for Shek Wu Hui Sewage Treatment Works	Sub-contractor	Formwork & concreting for MF Building	Work in progress
14102 704-730 King's Road Office Development	Sub-contractor	Formwork	Work in progress

Year of award/project	Role	Nature of contract	Status
Year 2017-2018			
French International School of Hong Kong at Tseung Kwan O	Sub-contractor	Installation of precast concrete Façade Unit to GYM Formwork	Substantially completed
C0783-079 Public Housing at Chai Wan Lin Shing Road	Sub-contractor	Hacking off and make good to existing reinforced concrete	Work in progress
SC2101 Global Switch Hong Kong 1 (GSHK) – Building 3, 4 & 5 Data Centre at Tseung Kwan O	Sub-contractor	Traditional timber formwork (For early works)	Work in progress
SC2105 Global Switch Hong Kong 1 (GSHK) – Building 3, 4 & 5 Data Centre at Tseung Kwan O	Sub-contractor	Formwork for superstructure and external works	Work in progress
14105-0072 Tai Wai Station property development project	Sub-contractor	Design and supply of column steel formwork	Substantially completed
14105 Tai Wai Station property development project (Zone B platform & tower T5-6)	Sub-contractor	Formwork	Work in progress
SCL1123/SC231 Exhibition Station and Western Approach Tunnel	Sub-contractor	Station formwork and concrete	Work in progress

FINANCIAL REVIEW

Revenue

During the Financial Year 2018, the Group's revenue increased by approximately 11.5% to approximately HK$673.3 million which was contributed by 18 projects, whereas in the Financial Year 2017, a revenue of approximately HK$603.8 million was contributed by 18 projects, driven mainly by the Group's recognised revenue from the completion of a major civil engineering project and the substantial progress achieved in an ongoing formwork project located in the Yau Tsim Mong District.

Gross profit and gross profit margin

Despite the increase in revenue, gross profit decreased by approximately HK$6.9 million, or 5.9%, from approximately HK$116.5 million for the Financial Year 2017 to approximately HK$109.6 million for the Financial Year 2018. The decrease in gross profit was mainly due to additional labour costs incurred in the completion of a major civil engineering project in order to satisfy a more tightened schedule from the customer who was urged by the public sector.

Gross profit margin for the Financial Year 2018 was to approximately 16.3%, which was lowered when compared to that of approximately 19.3% for the Financial Year 2017. The profitability was partly attributable to the lower gross profit margin for new projects as a result of a more competitive pricing environment, and partly to the decrease in the gross profit margins from the completed civil engineering project as mentioned above.

Administration and other operating expenses

Administration and other operating expenses primarily comprise staff costs (including directors' remuneration), depreciation, office expenses and professional charges. Administration and other operating expenses increased by approximately HK$2.9 million or 7.0%, from approximately HK$41.5 million for the Financial Year 2017 to approximately HK$44.4 million for the Financial Year 2018. By excluding the listing expenses of approximately HK$9.7 million incurred during the Financial Year 2017, the increase was mainly due to the increase in directors' remuneration and administrative staff salaries of approximately HK$13.4 million. For the Financial Year 2018, the directors' remuneration and administrative staff salaries amounted to approximately HK$28.0 million, compared to that of approximately HK$14.6 million for the Financial Year 2017.

Finance costs

Finance costs decreased by approximately HK$0.2 million or 7.7% from approximately HK$2.9 million for the Financial Year 2017 to approximately HK$2.7 million for the Financial Year 2018. The decrease was mainly due to the Group succeeded in negotiating with its banks on reducing the interest rates of bank borrowings which in turn reduces the interest expenses.

Income tax expenses

Income tax expenses, decreased by approximately HK$2.7 million or 18.4% from approximately HK$14.6 million for the Financial Year 2017 to approximately HK$11.9 million for the Financial Year 2018 primarily due to the decrease in profit before tax for the Financial Year 2018.

Profit and total comprehensive income for the year attributable to owners of the Company

Profit attributable to owners of the Company decreased by approximately HK$7.7 million or 12.1% from approximately HK$63.8 million for the Financial Year 2017 compared to approximately HK$56.1 million for the Financial Year 2018. The net profit margin decreased by approximately 2.3% from 10.6% for the Financial Year 2017 to 8.3% for the Financial Year 2018.

USE OF PROCEEDS

The net proceeds from the shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 February 2017 (the "**Listing**") have been and will be utilised subsequent to the Listing in accordance with the proposed applications set out in the section "Future Plans and Use of Proceeds" of the prospectus dated 25 January 2017 (the "**Prospectus**") and the announcement of the Company dated 7 February 2017.

The below table sets out the utilisation of the net proceeds from the Listing as at 31 March 2018:

	Planned use of net proceeds as stated in the Prospectus HK$'000	**Actual use of net proceeds up to 31 March 2018** HK$'000	**Unutilised balance as at 31 March 2018** HK$'000
Funding the initial costs for an existing formworks project located in Yau Tsim Mong District	27,433	27,433	–
Used for acquisition of office premises	41,101	41,101	–
Used for the investment in the new information system	10,102	2,391	7,711
Used for repayment part of the outstanding bank borrowings and finance leases of the Group	10,399	10,399	–
Used as general working capital	9,607	9,607	–
	98,642	90,931	7,711

The unutilised amount of the net proceeds of approximately HK$7.7 million was deposited into licensed banks in Hong Kong.

PRINCIPAL RISKS AND UNCERTAINTIES

Uncertain external factors

Despite the construction industry is one of the traditional core industries in Hong Kong and it is currently benefitting from strong housing needs and large infrastructure projects by the Government, the construction industry may suffer adverse impact of the change in government policies, financial crisis and unanticipated natural disasters.

The Group is exposed to market risks relating to changes in the social, political and economic conditions in Hong Kong. Delays in project commencement, particularly projects in the public sector due to late approval of new funding, escalation in purchase price of construction materials or deployment of labour may affect the project portfolio. The Directors have closely monitored works forecast by the Government, the number of new projects to be undertaken by the Housing Authority, tender results of commercial or residential sites so as to adjust the business strategies to participate in projects from public and private sectors. It is the responsibility of the executive Directors to identify and assess the prevailing economic condition and market risks and adopt different strategies from time to time to mitigate market risks. Since the customers of the Group are mostly private sector property developers, the future growth and profitability of the formwork industry largely depends on the continued prosperity of the property market and the construction industry in Hong Kong.

Uncertainty in successful tender

The Group's business relies on successful tenders that determine the award of contracts for formwork erection as well as related ancillary services. Given the non-recurring nature of these contract awards and the Group does not have long-term commitment with its customers, the number of contracts awarded to the Group may vary from year to year.

Upon the completion of its contracts on hand, the Group's financial performance may be adversely affected if the Group is unable to secure new tenders or award new contracts with comparable contract sums or at all. Formwork industry is highly competitive and the Group is required to build up good reputation and track records, maintain good relationships with customers, suppliers and subcontractors, ensure the availability of machinery and maintain competitive project pricing. If the competition among formwork construction subcontractors intensifies, the Group may have pressure to reduce the quotation, which would have an adverse impact on the financial performance.

Uncertainty in project delay

Any delay in project would affect the Group's cash position. The Group regularly has progress meetings with the main contractors, i.e. the customers, regarding each site's progress. The Group plans the deployment of labour and other resources accordingly. The Group's accounting and finance department also forecasts the works to be done in the forthcoming months to plan the liquidity and working capital use and reports to the executive Directors who then consider whether contingency plans are required.

Sustainable labour supply

Labour shortage and ageing problem have taken root in the construction industry for a number of years and the Group has leveraged on the good relationship with the labour and subcontractors to mitigate this risk. The Group has a list of approved subcontractors which the Group has reviewed and updated regularly to ensure they have maintained sufficient work force. The project team has regular meeting to discuss the deployment of labour, including the timing and number of workers required. The Group has early planning in the formwork design stage and recommends system formwork where possible since the assembling of system formwork demands less workmanship as compared to timber formwork and hence less costly and experienced workers, which in turn is expected to be more in supply.

DIVIDEND

The Board does not recommend the payment of final dividend for the Financial Year 2018 (the Financial Year 2017 : Nil).

During the Financial Year 2017, the Company declared an interim dividend of HK$128 million to its then equity owners in January 2017 as set out in note 11 to the consolidated financial statements.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 31 March 2018	As at 31 March 2017
Current ratio[1]	2.0	2.1
Gearing ratio[2]	22.1%	12.4%
Debt to equity ratio[3]	N/A	N/A
Interest coverage[4]	26.4 times	28.1 times

Notes:

1. Current ratio based on the total current assets divided by the total current liabilities.

2. Gearing ratio based on the total debt (summation of bank borrowings) divided by total equity and multiplied by 100%.

3. Debt to equity ratio is calculated as total debt (summation of bank borrowings) less cash and cash equivalents divided by total equity and multiplied by 100%.

4. Interest coverage based on the profit before interest and taxation divided by the total interest expenses incurred.

Current ratio was 2.0 and 2.1 as at 31 March 2018 and 31 March 2017 respectively. Debt to equity ratio figures as at 31 March 2018 and 31 March 2017 represent that the Group was in a net cash position. Interest coverage decreased from 28.1 times for the Financial Year 2017 to 26.4 times for the Financial Year 2018, mainly due to the effect of decreased profit before interest and tax, compared with finance costs.

As at 31 March 2018, the capital structure of the Group consisted of equity of approximately HK$223.5 million (31 March 2017: approximately HK$167.4 million) and debts of approximately HK$49.4 million (31 March 2017: approximately HK$20.7 million).

The Group adopts a prudent approach in cash management. Apart from certain debts including bank loans, the Group did not have any material outstanding debts as at 31 March 2018. The Group maintains a variety of credit facilities to meet requirements for working capital since payment to settle trade payable and wages were the most significant part of the cash outflow of the Group. As of 31 March 2018, the Group has available banking facilities of approximately HK$95.4 million (31 March 2017: approximately HK$47.2 million), of which the unutilised and unrestricted banking facilities amounted to approximately HK$9.6 million (31 March 2017: approximately HK$5.9 million).

GEARING RATIO

The gearing ratio of the Group as at 31 March 2018 was approximately 22.1% (31 March 2017: approximately 12.4%), mainly due to the increase in bank borrowings for financing new subcontracts and loan for financing the acquisition of the Group's office premises and the decrease in cash.

CHARGE OVER ASSETS

As at 31 March 2018, the Group's bank borrowings and general banking facilities were secured by the office premise newly acquired during the Financial Year 2018 with an aggregate net carrying value of approximately HK$46.8 million (31 March 2017: Nil) and insurance prepayment with an aggregate net book value of approximately HK$3.8 million (31 March 2017: approximately HK$3.7 million). As at 31 March 2018, the Group had no restricted bank balances (31 March 2017: approximately HK$3.0 million).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the Financial Year 2018. Save as disclosed herein, there was no other plan for material investments or capital assets as at 31 March 2018.

FOREIGN CURRENCY RISK

The Group has no significant exposure to foreign currency risk because almost all of the Group's transactions are denominated in Hong Kong dollars. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should and when appropriate.

TREASURY POLICIES

The Group continues to follow a prudent policy in managing the Group's cash balances and maintain a healthy liquidity position. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CONTINGENT LIABILITIES

During the Financial Year 2018, the performance bonds had been early released as the subcontract works were completed. As at 31 March 2018, the Group did not have any material contingent liabilities (31 March 2017: performance bonds of HK$12.0 million).

EMPLOYEES AND REMUNERATION POLICY

The Group had 76 full-time employees as at 31 March 2018 (31 March 2017: 91 full-time employees). The Group offers competitive remuneration package that is based on overall market rates and employee performance, as well as the performance of the Group. Remuneration package comprised salary, a performance-based bonus, and other benefits including training and mandatory provident funds.

CAPITAL COMMITMENTS

As at 31 March 2018, the Group had capital commitments of approximately HK$1,808,000 (2017: approximately HK$169,000) contracted but not provided for the acquisition of property, plant and equipment.

SEGMENT INFORMATION

Save as disclosed in note 5 to the consolidated financial statements, the Group's business was regarded as a single operating segment and the Group had no geographical segment information presented as at and for the year ended 31 March 2018.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the date of Listing (i.e. 8 February 2017) to 31 March 2018 is set out below:

Business objectives for the period from 8 February 2017 to 31 March 2018 as stated in the Prospectus	Implementation plan up to 31 March 2018	Actual business progress up to 31 March 2018
Strengthen the capacity and expand the market share of the Group	The Group plans to continue to strengthen the capacity in undertaking further formwork projects in Hong Kong. The Group is utilising part of the net proceeds received from the Share Offer to strengthen the available financial resources of the Group and applying it to finance the initial costs to be incurred in the early stage of the projects.	Refer to the Management Discussion and Analysis to the section headed "Business Review" and "Use of Proceeds" in this annual report for further details. The Group was awarded seven projects for the Financial Year 2018 (the Financial Year 2017 : six projects), included one civil engineering project was awarded in March 2018. Meanwhile, the Group has utilised part of the net proceeds and funding the initial costs for an existing formworks project located in Yau Tsim Mong District.
Upgrade the management information system and enhance the overall efficiency of the Group	The Group plans to upgrade the information technology system, which will have functions in providing management information for the Group to streamline the workflow of the management process, such as the issue of payment applications and their settlement status.	The Group has acquired and implemented new accounting and procurement systems to enhance the internal controls and financial management, as well as integrating the accounting and procurement operations, which enables the procurement teams of the Group in providing timely analysis of purchase orders information. The Group has equipped and is upgrading the Group's servers, network and communications system, which greatly enhances the data security and to facilitate the ongoing growth of the operation. The Group commits to providing the staff with up to date technology and equipment to enhance the quality of the design, increase the team's productivity and capability of the Group. The Group has committed to develop the BIM formwork system and acquire innovates software for measurement, costing, tendering and human resources management in the coming years. The Group has employed IT consultation firm and recruited in-house IT Engineer, they work closely with management to provide comprehensive IT support and solutions of information system.

Business objectives for the period from 8 February 2017 to 31 March 2018 as stated in the Prospectus	Implementation plan up to 31 March 2018	Actual business progress up to 31 March 2018
Acquire permanent office space for the Group's business expansion	The Group plans to acquire the properties located in Kwun Tong. The target size of the office space would be around 4,000 sq. ft., depending on the overall suitability and actual purchase cost. The Group budget, the total purchase price to be approximately HK$45 million.	The Group has acquired the properties situated at Flat A and Flat C1, 22/F., T G Place, No. 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong at a consideration of HK$53,388,000 on 20 April 2017 and completion of the acquisition took place on 28 June 2017. Following the completion of the acquisition, the Group owned the properties and utilised it as principal office space for the Group.
Exercise financial management to ensure sustainable growth and capital sufficiency	The Group plans to deploy the resources to focus on projects which are more profitable. The Group plans to focus on the internal control system to ensure adequate cash flow for the ongoing capital requirements of the Group, and to achieve maximum cost savings.	The Group has deployed senior project management team to the major formworks project located in Yau Tsim Mong District, the more profitable project, to strengthen the controls of operations, progress and receivables. Meanwhile, the Group has implemented its new integrate accounting and procurement systems which enable the management to have timely costs analysis , ongoing project receivables and project cash flow. In addition, the management continues to standardise the operational model in order to enhance the costs efficiency, such as the new sub-subcontractors operating arrangement.

The Group will strive to achieve the milestone events as stated in the Prospectus.

FUTURE PROSPECTS

The Listing of the shares of the Company on the Stock Exchange not only provided additional working capital funding for the acquisition of office premises and information system but also improved the Group's financial position, provided additional working capital and allowed the Group to undertake sizable projects.

In view of the growth prospects for both public projects and private development, with the Group's reputation and strengthened experience in the formwork erection industry, the Group is well-positioned to compete with its competitors. Going forward, the Group will continue to provide high-quality and innovative construction works services to customers, and to develop construction information technologies to enhance the Group's overall competitiveness so as to sustain business growth.

EXECUTIVE DIRECTORS

Mr. Wang Kei Ming (王麒銘)

Mr. Wang Kei Ming ("**Mr. Joseph Wang**"), aged 56, is the chairman (the "**Chairman**") and an executive Director of the Company. Mr. Joseph Wang is responsible for the overall strategic management and development of the Group's business operations. Mr. Joseph Wang founded the Group in March 1994. He was appointed as director on 12 April 2016 and re-designated as an executive Director, the Chairman and chief executive officer of the Company (the "**Chief Executive Officer**") on 18 July 2016. He resigned as the Chief Executive Officer on 18 January 2018. Mr. Joseph Wang is also a member of each of the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company. Mr. Joseph Wang was appointed as the director of Ming Tai Civil Engineering Company Limited on 28 March 1994 and the director of Ming Tai Construction Engineering Company Limited on 3 May 1999. Mr. Joseph Wang is a director of all other subsidiaries of the Group.

Mr. Joseph Wang has over 40 years of experience in the formwork construction industry, having entered the construction industry as a formwork construction apprentice in 1978. From 1981 to 1993, he continued to gather extensive knowledge and expertise in formwork construction industry by participating in different construction projects. Mr. Joseph Wang then established Ming Tai Civil Engineering Company Limited in March 1994 and expanded his business by establishing Ming Tai Construction Engineering Company Limited and Genuine Treasure Construction Technology Company Limited over the years. Mr. Joseph Wang was a committee member of the Hong Kong Construction Sub-contractors Association (香港建造業分包商聯會有限公司) from July 2012 to June 2015 and has been its vice President since July 2015. He was the vice president of the Hong Kong Formwork Contractors Association Limited (香港模板商會有限公司) from March 2011 to May 2015 and has been its president since May 2015.

Mr. Joseph Wang is the spouse of Ms. Chao Lai Heng, the Chief Executive Officer and the father of Mr. Wang Yu Hin, an executive Director of the Company.

Mr. Wang Yu Hin (王宇軒)

Mr. Wang Yu Hin ("**Mr. Benjamin Wang**"), aged 32, is an executive Director of the Company. Mr. Benjamin Wang is responsible for overseeing the Group's operation, business development, human resources, and finance and administration. Mr. Benjamin Wang was appointed as an executive Director on 18 July 2016.

Mr. Benjamin Wang graduated with a Bachelor of Science with a major in Chemistry from the University of California, Los Angeles in September 2006. Mr. Benjamin Wang continued to pursue his postgraduate education in biochemical science in the United States from October 2006 to late 2010. Mr. Benjamin Wang also completed an advanced workshop for general managers (總經理高級研修班) at the Tsinghua University Training Centre of Professional Managers (清華大學職業經理訓練中心) in July 2015. He had worked in Osstem Hong Kong Limited from May 2011 to September 2014 with his last position as assistant sales manager. He then joined Ming Tai Construction Engineering Company Limited as personal assistant to the director in September 2014 and was subsequently promoted to cost controller in January 2016. Mr. Benjamin Wang obtained a Certificate in Safety and Health for Supervisors (Construction) from the Occupational Safety and Health Council in August 2014. Mr. Benjamin Wang is currently studying the EMBA-Global Asia programme offered by HKU Business School, Columbia Business School and London Business School.

Mr. Benjamin Wang is the son of Mr. Joseph Wang, the chairman, an executive Director and a Controlling Shareholder of the Company (the "**Controlling Shareholder**") and the son of Ms. Chao Lai Heng, the Chief Executive Officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Ah Ming Leon (黎雅明)

Mr. Lai Ah Ming Leon ("**Mr. Lai**"), aged 61, was appointed as an independent non-executive Director on 17 January 2017. He is also the chairman of the Remuneration Committee and a member of each of the audit committee of the Company (the "**Audit Committee**") and Nomination Committee.

Mr. Lai obtained a Bachelor of Laws with Honours from the University of Wales, University College, Cardiff in July 1982 and subsequently completed a Postgraduate Certificate in Laws at the University of Hong Kong in July 1986. Mr. Lai has been a practising solicitor in Hong Kong and a member of the Law Society of Hong Kong since August 1988 and is the sole proprietor of a law firm in Hong Kong. He has also been an advocate and solicitor of the Supreme Court of Singapore since February 1995. He has been an independent non-executive director of Allan International Holdings Limited (stock code: 684) since December 1995.

Mr. Kwong Ping Man (鄺炳文)

Mr. Kwong Ping Man ("**Mr. Kwong**"), aged 53, was appointed as an independent non-executive Director on 17 January 2017. He is also the chairman of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee.

Mr. Kwong possesses over 25 years of experience in accounting and administration. Prior to joining the Group, Mr. Kwong worked in Polyard Petroleum International Group (stock code: 8011) with his last position as financial controller and company secretary from 2006 to 2007. He then served in Jimei International Entertainment Group Limited (stock code: 1159) with his last position as financial controller and company secretary from 2008 to 2009. From 2009 to 2013, he worked in China Agroforestry Low-Carbon Holdings Limited (stock code: 1069) and his last position was company secretary. He is currently the managing director of O'park Corporate Services Limited, a company primarily engaged in corporate advisory and company secretarial services.

Mr. Kwong graduated from the Curtin University of Technology in Australia with a Bachelor of Commerce in Accounting in August 1996. He obtained a Postgraduate Diploma in Corporate Administration and a Master of Professional Accounting from the Hong Kong Polytechnic University in November 1998 and November 2003, respectively. He is also a certified practising accountant of the Australian Society of Certified Practising Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, and an associate member of each of the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators.

Mr. Kwong has been the independent non-executive director of Century Sunshine Group Holdings Limited (stock code: 509) since September 2004, Tang Palace (China) Holdings Limited (stock code: 1181) since March 2011, Group Sense (International) Limited (stock code: 601) since March 2015 and Dragon King Group Holdings Limited (stock code: 8493) since December 2017.

Mr. Sio Kam Seng (蕭錦成)

Mr. Sio Kam Seng ("**Mr. Sio**"), aged 59, was appointed as an independent non-executive Director on 17 January 2018. He is also the chairman of the Nomination Committee and the member of each of the Audit Committee and the Remuneration Committee.

Mr. Sio graduated from The Queen's University of Brighton in 2002 with a Bachelor of Science in Construction Engineering and Management. He obtained a Postgraduate Diploma and a master's degree in Business Administration from the University of Wales in 2005 and 2012, respectively. He is currently a member of the Institute of Certified Management Accountants and the Institute of Public Accountants in Australia, the Society of Environmental Engineers, the Chartered Institute of Building, the Hong Kong Institute of Directors, and the Hong Kong Management Association. He is also a fellow member of Life Management Institute, an associate member of the Chartered Institute of Arbitrator and a senior associate member of Australian and New Zealand Institute of Insurance and Finance.

Mr. Sio has over 20 years of experience in the insurance industry. Prior to joining the Group, he worked at HSBC Insurance Company Limited from 1989 to 1992 and his last position was area manager. He then served in Sime Insurance Brokers (HK) Ltd from 1993 to 1995 with his last position as assistant general manager. He then worked at Man Sang Holdings Inc from 1995 to 1997 and his last position was chief executive officer. He served in Howden Insurance Brokers (HK) Limited from 1998 to 2017 and his last position was chief executive officer. He has been a director of China Metro-Rural Holdings Limited since 2009, a company that develops and operates integrated agricultural logistics platforms and engages in rural-urban migration redevelopment in mainland China. He has also been a deputy chief executive officer of Lockton Companies (Hong Kong) Limited since 1 January 2018, a company that provides risk consulting and insurance broking services.

SENIOR MANAGEMENT

Ms. Chao Lai Heng (周麗卿)

Ms. Chao Lai Heng ("**Ms. Chao**"), aged 52, was appointed as the Chief Executive Officer on 18 January 2018. Ms. Chao is the indirect controlling shareholder of the Company.

Ms. Chao completed the advanced class of excellent leading (卓越領導高級研修班) in August 2013 and class of chairman of strategic emerging industries investment (戰略性新興產業投資董事長高級研修班) in June 2017 at the School of Continuing Education, Tsinghua University. Prior to joining the Company, Ms. Chao worked for Ming Tai Construction Engineering Company Limited, an indirect wholly-owned subsidiary of the Company, in the position of Manager from 1 September 2012 to 31 December 2015, and was a director of Oi Shun Ming Building Construction Limited from 1 September 2006 to 31 August 2012. Ms. Chao has been a director of Chao Feng Holdings Limited since 1 January 2016, a company that manages various types of industrial, business and real estate investment.

Ms. Chao is the spouse of Mr. Joseph Wang, the Chairman, an executive Director and a Controlling Shareholder and the mother of Mr. Benjamin Wang, an executive Director.

Mr. Chan Wing Seng (陳永成)

Mr. Chan Wing Seng ("**Mr. Chan WS**"), aged 51, is the financial controller of the Group. Mr. Chan WS is responsible for overseeing the Group's financial operations, legal affairs and strategic management.

Mr. Chan WS obtained a Certificate in Accountancy from the Tuen Mun Technical Institute in June 1988 and a Higher Certificate in Accountancy and a Post-experience Certificate in Accountancy from the Hong Kong Polytechnic University in November 1991 and October 1995, respectively. He then obtained his Master of Professional Accounting and Master of Corporate Governance through distance learning from The Open University of Hong Kong in June 2004 and June 2009, respectively. Mr. Chan WS has been an accredited accounting technician of the Hong Kong Association of Accounting Technicians since June 1990. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since September 1996 and each of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators since November 2009. Mr. Chan WS has also been a fellow member of the Association of Chartered Certified Accountants since June 2001. He completed the Construction Safety Supervisor Course held by the Construction Industry Council in June 2015.

Mr. Chan WS joined the Group in May 2013. Prior to joining the Group, Mr. Chan WS served in Yeebo LCD Limited (stock code: 259) from 2005 to 2006 with last position as financial controller. He then worked in Hung Wan Construction Company Limited from 2006 to 2012 and his last position was financial controller. During 2012, he worked in Gemdale Properties and Investment Corporation Limited (stock code: 535) and his last position was senior manager – finance.

Mr. Chan Yiu Kwok (陳耀國)

Mr. Chan Yiu Kwok ("**Mr. Chan YK**"), aged 57, is the commercial director of the Group. He joined the Group as commercial director in August 2011. Mr. Chan YK is primarily responsible for overseeing the Group's quantity surveyance, contract disputes and litigations. Mr. Chan YK obtained a Certificate in Building Studies from Morrison Hill Technical Institute of Vocational Training Council Hong Kong in July 1983 and a Higher Certificate in Building Studies from the Hong Kong Polytechnic University in November 1987. He then obtained an Associate Diploma in Engineering (Electrical Engineering) from the Southern Sydney Institute of the New South Wales Technical and Further Education Commission in July 1995, and received his Bachelor of Applied Science in Construction Management and Economics from Curtin University of Technology in Australia in April 2001.

Mr. Chan YK has been a Registered Professional Surveyor in the Quantity Surveying Division of the Surveyors Registration Board of Hong Kong since July 2007. Mr. Chan YK became associate member in Quantity Surveying Division of The Society of Surveying Technicians in 1990 and member each of The Association of Cost Engineers in 2000, The Association for Project Management in 2001, The Australian Institute of Building in 2001, The Chartered Institute of Building in 2002, The Chartered Institution of Civil Engineering Surveyors in 2003 and The Hong Kong Institute of Surveyors in 2005. In 2004, he also became a professional member of The Royal Institution of Chartered Surveyors.

Prior to joining the Group, Mr. Chan YK worked in Nishimatsu Construction Company Limited with his last position as senior quantity surveyor from 1995 to 1998. He then served in Chun Wo Construction & Engineering Company Limited and his last position was assistant quantity surveying manager from 1999 to 2001. From 2001 to 2011, he worked in Maeda Corporation and his last position was quantity surveying manager.

Mr. Ng Ho Lam (吳浩霖)

Mr. Ng Ho Lam ("**Mr. Ng**"), aged 42, is the general manager of the Group. Mr. Ng is primarily responsible for daily monitoring and management of the projects.

Mr. Ng has over 26 years of experience in the construction industry. He started working as a construction worker from 1991 to 1999 in various construction companies in Hong Kong after completing Form 5 of secondary education. Prior to joining the Group, Mr. Ng worked as a foreman at Shui Wing Engineering Co. Ltd. (瑞榮工程有限公司) from 2000 to 2008 and as a director at Lik Wah Engineering Limited (力華工程有限公司) from 2008 to 2010. Mr. Ng joined the Group as assistant project manager in March 2010 and was subsequently promoted to project manager in April 2011, senior project manager in September 2013 and deputy project director in December 2015, respectively. He was promoted to his current position in April 2018.

COMPANY SECRETARY

Ms. Yim Sau Ping (嚴秀屏)

Ms. Yim Sau Ping ("**Ms. Yim**"), aged 35, prior to joining the Group, Ms. Yim worked for Ngai Shun Holdings Limited (stock code: 1246), now known as Boill Healthcare Holdings Limited, a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), a company listed on GEM, as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She has been a director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services, since October 2015. Ms. Yim is currently the company secretary of more than five companies listed on the Stock Exchange.

Ms. Yim obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2007. She has been a member and a fellow of the Hong Kong Institute of Certified Public Accountants since January 2010 and October 2017 respectively. She has accumulated more than 10 years of experience in accounting, auditing and financial management in international audit firm, financial institution and listed companies.

CORPORATE GOVERNANCE PRACTICE

The Company and the Board are devoted to achieve and maintain high standards of corporate governance, as the Board believes that good and effective corporate governance practices are fundamental to obtain and maintain the trust and safeguarding interest of the shareholders and other stakeholders of the Company. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control stringent disclosure practices and transparency and accountability to all stakeholders.

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company has fully complied with the CG Code except for the deviation from provision A.2.1 of the CG Code as at 17 January 2018. On 18 January 2018, the Company appointed Ms. Chao Lai Heng as the Chief Executive Officer. Due to the role of Chairman and Chief Executive Officer are separate and not performed by the same individual in order to balance the distribution of power, at the date of this annual report, the Company has fully complied with the CG Code. The details are as set out in the sub-section "Chairman and Chief Executive Officer" in "Corporate Governance Report".

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during the Financial Year 2018.

DIRECTORS' RESPONSIBILITIES AND DELEGATION

The Board is responsible for leading and controlling the business operations of the Group. It formulates strategic directions, oversees the operations and monitors the financial performance of the Group. The management is delegated power and authority given by the Board for the day-to-day management and operations of the Group. The management is accountable to the Board for the Company's overall operation. Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1) To develop and review the policies and practices on corporate governance of the Group and make recommendations;

2) To review and monitor the training and continuous professional development of the Directors and the senior management;

3) To review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4) To develop, review and monitor the code of conduct applicable to the Directors and the employees of the Group; and

5) To review the Company's compliance with the CG Code as set out in Appendix 14 to the Listing Rules and disclosure in the corporate governance report of the Company.

BOARD COMPOSITION

The Board currently comprises two executive Directors and three independent non-executive Directors and the Board is accountable to shareholders. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to create value to the shareholders of the Company.

Executive Directors

Mr. Wang Kei Ming *(Chairman)*	(Appointed on 12 April 2016)
Mr. Wang Yu Hin	(Appointed on 18 July 2016)

Independent Non-executive Directors

Mr. Lai Ah Ming Leon	(Appointed on 17 January 2017)
Mr. Lam Wai Ho	(Appointed on 17 January 2017 and resigned on 17 January 2018)
Mr. Kwong Ping Man	(Appointed on 17 January 2017)
Mr. Sio Kam Seng	(Appointed on 17 January 2018)

Biographical details of the Directors are set out in "Biographical Details of Directors and Senior Management" in this annual report.

The current proportion of independent non-executive Director is higher than what is required by Rule 3.10A, 3.10(1) and (2) of the Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the Board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company on 18 July 2016 and signed letters of appointment with each of independent non-executive Directors on 17 January 2017. The service contracts with the executive Directors and the letter of appointment with each of independent non-executive Directors are for an initial fixed term of three years commencing from the date of Listing. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Company's memorandum and articles of association and the applicable Listing Rules.

Pursuant to Article 108 of the Company's memorandum and articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every director shall retire from office by rotation and are subject to re-election of annual general meeting at least once every 3 years.

Article 112 of the Company's memorandum and articles of association provides that any Directors who are appointed to fill a casual vacancy shall hold office only until the next following general meeting of the Company after their appointment and are subject to re-election by shareholders of the Company.

Mr. Benjamin Wang, Mr. Kwong and Mr. Sio will retire from office at the forthcoming annual general meeting of the Company to be held on Monday, 10 September 2018. Each of them will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. Benjamin Wang as executive Director, Mr. Kwong and Mr. Sio as independent non-executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Under the organisation structure of the Company as at 17 January 2018, Mr. Joseph Wang was the Chairman and Chief Executive Officer. With his extensive experience in the industry, the Board believed that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership, allowed for effective and efficient planning and implementation of business decisions and strategies, and was beneficial to the business prospects and management of the Group. Although Mr. Joseph Wang performed both the roles of Chairman and Chief Executive Officer, the division of responsibility between the chairman and chief executive officer was clearly established. However, it was the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

On 18 January 2018, the Company appointed Ms. Chao Lai Heng as the Chief Executive Officer. The role of Chairman was separated from that of the Chief Executive Officer to enhance their respective independence, accountability and responsibility. In the opinion of the Board, as at the date of this annual report, the Company has fully complied with the CG Code.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors and officers that may arise out of its corporate activities. The insurance coverage is reviewed on an annual basis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensure that the interests of all shareholders are taken into account. The representation of independent non-executive Directors is more than one-third of the members of the Board with at least one of whom has appropriate professional qualifications or accounting or related financial management expertise. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Directors an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 3.13 of the Listing Rules.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

The Company updates Directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast of the current requirements under the Listing Rules.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website www.hkexnews.hk and the Company's website at www.royal-deluxe.com. All Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expenses.

The Board is responsible for performing the corporate governance duties set out in the CG Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this annual report.

ATTENDANCE RECORDS OF MEETINGS

The Board meet regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

Details of all Directors' attendance at the Board meeting and Board's committee meeting held during the Financial Year 2018:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
	Number of Meetings Attended/Held				
Executive Directors:					
Mr. Wang Kei Ming	5/5	–	2/2	2/2	1/1
Mr. Wang Yu Hin	5/5	–	–	–	1/1
Independent Non-executive Directors:					
Mr. Lai Ah Ming Leon	5/5	2/2	2/2	2/2	1/1
Mr. Lam Wai Ho (resigned on 17 January 2018)	4/5	2/2	1/2	1/2	1/1
Mr. Kwong Ping Man	5/5	2/2	2/2	2/2	1/1
Mr. Sio Kam Seng (appointed on 17 January 2018)	–/–	–/–	–/–	–/–	–/–

AUDIT COMMITTEE

The Audit Committee was established on 17 January 2017 with written terms of reference in compliance with paragraph C.3 of the CG Code as set out in Appendix 14 of the Listing Rules. The Audit Committee comprises three members, namely Mr. Lai Ah Ming Leon, Mr. Kwong Ping Man and Mr. Sio Kam Seng. Mr. Kwong is the chairman of the Audit Committee. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and the Company's website.

The Company has complied with Rule 3.21 of the Listing Rules which must comprise a minimum of three members, comprising non-executive Directors only, the majority of the members of the audit committee must be independent non-executive Directors and must be chaired by an independent non-executive Director. At least one of the members of the Audit Committee is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Financial Year 2018, the Audit Committee mainly has (i) reviewed the condensed consolidated financial statements for the 2017 Interim Report; (ii) reviewed the reports from the Auditors, accounting principles and practices adopted by the Group, management representation letters and management's response in relation to the annual results for the Financial Year 2017; (iii) reviewed the consolidated financial statements for the Financial Year 2017 and recommended the same to the Board for approval.

The Group's consolidated financial statements for the Financial Year 2018 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the Financial Year 2018 comply with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 17 January 2017 with written terms of reference in compliance with paragraph B.1.2 of the CG Code. The Remuneration Committee comprises four members, namely Mr. Lai Ah Ming Leon, Mr. Sio Kam Seng, Mr. Kwong Ping Man and Mr. Wang Kei Ming. Mr. Lai is the chairman of the Remuneration Committee. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The principle role and functions of the Remuneration Committee are to review the remuneration packages of individual executive Directors and key executives, including salaries, bonuses, benefits in kind and the terms of which they participate in any share options and other plans considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and key executives, employment conditions elsewhere in the Group and desirability of performance-based remuneration and making recommendations to the Board from time to time. The Remuneration Committee has reviewed the remuneration packages and remunerations of Directors and senior management and considered that they are fair and reasonable for the Financial Year 2018. No director or any of his associates is involved in deciding his own remuneration.

NOMINATION COMMITTEE

The Nomination Committee was established on 17 January 2017 with written terms of reference in compliance with paragraph A.5 of the CG Code. The Nomination Committee comprises four members, namely Mr. Lai Ah Ming Leon, Mr. Sio Kam Seng, Mr. Kwong Ping Man and Mr. Wang Kei Ming. Mr. Sio is the chairman of the Nomination Committee. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and the Company's website.

The main duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis, the independence of independent non-executive Directors and making recommendations to the Board on appointment or re-appointment of director. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

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.

COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

The Company engages an external service provider, which assigned Ms. Yim Sau Ping as its Company Secretary. Ms. Yim possesses the necessary qualification and experience, and is capable of performing the functions of the Company Secretary. Mr. Wang Kei Ming, executive Director of the Company is the primary contact person who Ms. Yim contacts.

For the Financial Year 2018, Ms. Yim had taken no less than 15 hours of relevant professional training to develop her skills and knowledge. The biographical details of Ms. Yim is set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;

- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence; and

- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment is performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the Risk Registry to communicate to the Board and Management for reviews.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the Financial Year 2018 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the Financial Year 2018 as required under CG Code C.2.5. The Audit Committee and the Board, has considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditors in respect of any material control deficiencies identified during the course of the financial statements audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

AUDITORS' REMUNERATION

During the Financial Year 2018, the remuneration paid or payable to the external auditors of the Company, HLB Hodgson Impey Cheng Limited, in respect of the audit and non-audit services were as follows:

Services rendered	Remuneration paid/payable HK$'000
Audit services	
– Statutory audit services	1,050
Non-audit services	
– Assisting in reviewing the disclosure of interim financial report	150
	1,200

SHAREHOLDERS' RIGHT

One of the measures to safeguard shareholders' interest and rights is to separate resolutions proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the website of the Stock Exchange and the Company after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to Article 64 of the Company's memorandum and articles of association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

(i) Corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the website of the Stock Exchange and the Company at "www.royal-deluxe.com";

(ii) Periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) Corporate information is made available on the Company's website;

(iv) Annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) The Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

During the Financial Year 2018, there was no change in the Company's memorandum and articles of association.

1. ABOUT THIS REPORT

1.1. Reporting Period

This is the second Environmental, Social and Governance (ESG) Report that illustrates and highlights the environmental and social performance of the Group from 1st April, 2017 to 31st March, 2018 unless otherwise stated.

1.2. Reporting Scope

The content of this ESG report is focused on the Group's business in large scale formwork erection projects for the construction of reinforced concrete structures in Hong Kong. This report demonstrates the ESG performance of the Group's business operation in achieving sustainable development for the future.

1.3. Reporting Framework

This ESG report follows the disclosure requirement as set out in the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules (the "ESG" Guide).

Key Performance Index (the "KPI") Reference Table

Reference KPI of the ESG Guide	Corresponding KPI in the section of this report
A1. Emissions Policies and Compliances	Environmental Performance Emissions Policies and Compliances Minimising Emissions Carbon Footprint – Greenhouse Gas Emission Air Emission
A2. Use of Resources	Constructing Sustainably Energy Consumption – Electricity Water Consumption Fossil Fuel Consumption – Petroleum and Diesel Raw Materials Consumption – Timbers and Metals
A3. The Environment and Natural Resources	Environmental Performance Emissions Policies and Compliances Constructing Sustainably Reducing Material Use and Construction Waste
B1. Employment Policies and Compliances	Total Workforce Employment Policies and Compliances
B2. Health and Safety Policies and Compliances	Health and Safety Policies and Compliances Occupational Health and Safety Data Corporate Social Responsibility and Safety Awards
B3. Development and Training Policies	Development and Training Policies
B4. Labour Standards	Employment Policies and Compliances
B5. Supply Chain Management	Supply Chain Management
B6. Product Responsibility	Product Responsibility Protecting Intellectual Property Rights Quality Assurance Process Consumer Data Protection and Privacy Policies
B7. Anticorruption Policies and Compliances	Anticorruption Policies and Compliances Conflict of Interest Preventive Measures and Whistle-blowing Procedures
B8. Community Investment	Charity Donation Corporate Social Responsibility and Safety Awards

2. ENVIRONMENTAL PERFORMANCE

Scope	Sources of GHG Emission	GHG* emission (in tCO_2-eq)	GHG emission (in tCO_2-eq) by scope	Distribution	% change by year
1	Mobile – Unleaded petroleum and diesel consumed by the Group's motor vehicles	115.94 (121.69)	115.94 (121.69)	56.07% (56.40%)	-4.73%
2	Purchased electricity	43.19 (34.59)	43.49 (34.59)	21.03% (16.03%)	25.73%
	Purchased Towngas	0.30 (0)			
3	Disposal of paper waste	47.19 (59.41)	47.36 (59.49)	22.90% (27.57%)	-20.39%
	Fresh water processing	0.12 (0.06)			
	Sewage water processing	0.05 (0.02)			
	Total GHG* emission		**206.79 (215.76)**	**100% (100%)**	**-4.16%**
	Carbon emission intensity		**0.236 (0.432)**		**-45.37%**

Numbers in brackets indicate the figures of the last reporting period (the figures were corrected due to incomplete data collection for the last report.)

* The GHG is calculated according to the 'Guiltiness to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong' jointly published by EPD and EMSD.

2.1. Emissions Policies and Compliances

The Group acknowledges the impact of its work to its employees, the community and environment. Thus, its environmental management policy is designed to communicate expectation and monitor performance. All emission and waste generated during operation are strictly controlled and monitored. As required for all construction sites, the Group complies with the following environmental laws and ordinance of Hong Kong:

Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)

Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong)

Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong)

Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)

Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong)

Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)

Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)

2.2. Minimising Emissions

Carbon Footprint-Greenhouse Gas Emission

The total net greenhouse gas (GHG) emission generated by the Group were 206.79 tonnes of carbon dioxide equivalent (tCO_2-eq) (mainly carbon dioxide, methane and nitrous oxide) (2017: 215.76 tCO_2-eq, which was reduced slightly by 4.16%, mainly attributed to the increase in electricity used due to the relocation of the headquarter office and the effort in reducing paper consumption. In addition, with the total audited area of 850.53 square meter (m^2) (2017: 499.55 m^2) which is bigger than last year's, the total annual carbon emission intensity due to energy usage was reduced to 0.236 tCO_2-eq/m^2 (2017: 0.432 tCO_2-eq/m^2), a reduction of over 45% showcasing the Group's effort in reducing emission.

The usage of petroleum and diesel by the Group's mobile vehicles contributed to over 50% of the total GHG emission at 115.94 tCO_2-eq compared with 121.69 tCO_2-eq in the last reporting period.

Paper was the only waste generated from office administration, paper usage has been reduced to 47.19 tCO_2-eq from 59.41 tCO_2-eq in the last reporting period. The Group has been recycling single side printed papers for reuse and using digital technology to replace papers. Paper waste was collected by registered waste paper recycle for recycling and disposal. Nonetheless, the Group will continue to focus on paper reuse and recycling to improve its carbon footprint performance.

It is noteworthy that all electricity and water used in project locations were usually provided by the main contractors or property owners. Hence, the related emission data was not available for GHG calculation. However, the Group will work with main contractors to see the possibility of recording the electricity and water usage in the coming years to set quantifiable targets for GHG reduction in operation.

Air Emission

Dust or respirable suspended particulates (RSP) generated by the activities in the project locations could contribute to local air pollution. With the Group's environmental protection management policy, appropriate and effective air pollution control is executed in its project locations, washing facilities is used to wash off mud and dust from vehicles to prevent dusty and RSP matters from dispersing into the atmosphere. Since the Group's work does not require any burning of fuels or the use of volatile chemical substance, the related air emission is not significant. Moreover, washing facilities on site is used to wash off mud and dust from vehicles to prevent dusty and RSP matters from dispersing into the atmosphere.

Another major source of air emission was the use of petroleum and diesel-powered motor vehicles for transportation. Motor vehicles, especially the diesel powered, emit a considerable amount of RSP and nitrogen dioxide (NO_2) into the atmosphere. Hence, the use of more efficient transportation methods or with the use of electrical vehicles shall be considered to minimise the air emission generated by transportation.

2.3. Constructing Sustainably

The following table highlights the year on year comparison of different energy, water, and raw materials usage by the Group:

Reporting Year	Energy Consumption			Water Consumption	Raw Material Consumption			
	Electricity Kilowatt-hour (kWh)	Petroleum Litres (L)	Diesel Litres (L)	Water Cubic Meters (m^3)	Timber Cubic Meters (m^3)	Metal – Aluminium Kilogram (Kg)	Metal – Iron Kilogram (Kg)	Metal – Other Kilogram (Kg)
2018	79,980.88	8,555.67	35,014.65	477.06	23,888.78	495,769.54	1,377,379.23	341,608.20
Recycled					2,220.00	265,510.00	697,330.00	0.00
Recycling Rate					9.29%	53.56%	50.63%	0.00%
2017	64,049.76	7,612.47	38,146.13	134.40	22,026.22	419,283.28	543,790.32	290,760.93
Recycled					Nil	88,932.00	398,820.00	0.00
Recycling Rate					Nil	21.21%	73.34%	0.00%

Energy Consumption – Electricity

The total electricity consumption by the Group was 79,980.88 Kilowatt-hour (kWh), with the total operation area of 850.53 m^2, the energy intensity was 94.04 kWh/m^2 (2017: 128.21 kWh/m^2). The decrease in emission intensity was attributed to the introduction of energy-efficient lighting fixtures and electrical equipment in the new office, the use of blinds for sunlight utilisation and indoor temperature control, and the positive habits of switching off unused lights and air-conditioning. The Group is actively seeking for more energy efficient equipment in reducing its emission.

Water Consumption

The total fresh water consumption was 477.06 cubic meters (m^3). The Group is conscientious in water conservation as it is one of the most precious natural resources on earth.

Fossil Fuel Consumption – Petroleum and Diesel

A total of 8,555.67 litres of petroleum and 35,014.65 litres of diesel were consumed.

Raw Materials Consumption – Timbers and Metals

Timber and metal components were used for the Group's projects. A total of 23,888.78 m^3 of timbers were being used, an increase of 8.46% compared to the last reporting period. With the growing concern towards the environmental impact of using timbers, the Group continues to purchase timbers that are certified under The Programme for the Endorsement of Forest Certification (PEFC). Over 90% of timbers were procured from certified PEFC suppliers demonstrating the Group's commitment to conserve the environment and develop its business in a sustainable way.

On the other hand, due to the higher project demand, 2,214.76 tonnes of metals (aluminium, iron and other) were being used, comprised of 22.38%, 62.19% and 15.42% of aluminium, iron and other metals respectively.

2.4. Reducing Material Use and Construction Waste

The reduction and recycling of construction waste (timbers and metals) is becoming more important in the construction industry due to the increase in public awareness and waste disposal charges under the Construction Waste Disposal Charging Scheme. Thus, the Group is continuously making its effort to design and research for better construction methods to build its formworks with less usage of raw materials and to improve reuse and recycling rate.

Although timbers are commonly known as difficult to be reused or recycled, the Group has begun to recycle timbers to reduce waste. A total of 2,220 m^3 of timbers were recycled and the recycling rate was 9.29%. The result was meaningful, and it demonstrated the environmental conservation commitment of the Group even when the task is difficult and challenging.

Comparing to the timber counterpart, metals are easier to be reused and recycled. The Group promotes reuse and recycling of metal components albeit high repairing cost, large space for storage and difficulties in dissembling and sorting of mixed metal parts are involved. It is recorded that 53.56% of aluminium and 50.63% of iron were recycled, which was 43.47% (2017: 38.90%) at 962.84 tonnes in total.

3. COMMUNITY INVESTMENT

3.1. Charity Donation

The Group continued its community care by making various charitable donations and sponsorship. The Group actively supports the younger generation and the members of the community who need help and assistance. By participating in the HKCPS (The Hong Kong Coalition of Professional Services) Yuen Long District Secondary School Students Internship Programme 2017, secondary students were offered internship position in the Group to prepare for their future career plans. With all the monetary and non-monetary resources, the Group strives to act as a role model in the industry with the goal to build a better and more sustainable Hong Kong.

Sponsored Party	Nature/Event
The Community Chest of Hong Kong	General Donation
The Construction Industry Council	Construction Care Fund Construction Industry Happy Run 2018
Gammon Construction Limited	Sedan Chair Charities Fund
Gammon Staff Recreation Club	Gammon Walkathon to Guangzhou 2017 – Hong Chi Association
Hong Kong Construction Sub-Contractors Association	Construction Industry Charity Concert 2017
New World Construction Company Limited	Community Care Fund

3.2. Corporate Social Responsibility and Safety Awards

The Group is committed to contributing to the community, the following listed awards demonstrate the Group's determination in conducting business with the consideration of social responsibility.

Organisation	Award
The Community Chest of Hong Kong	**President's Award 2016/17**
The Construction Industry Council/The Hong Kong Institute of Construction	**Employers Appreciation Ceremony 2017 – Subcontractors who hire the most graduates (Silver Award)**
The Hong Kong Housing Authority	**Quality Public Housing Construction and Maintenance Award 2017 – Outstanding Contractor Award (New Works Project)**
Labour Department – Occupational Safety and Health Council	**Construction Industry Safety Award Scheme 2017/18 Building Construction Site – Subcontractors (Excellent Award)**
Labour Department – Occupational Safety and Health Council	**Construction Industry Safety Award 2017/2018 Building Construction Site – Subcontractors (Working at Heights – Best Safety Performance Award)**

4. HUMAN CAPITAL

4.1. Total Workforce

As at 31st March 2018, the total number of permanent employees was 76 (2017: 91), with a combination of 26 females and 50 males and the following age distribution;

	18-25	26-35	36-45	46-55	56 and above
2018	7.89%	31.58%	32.90%	14.47%	13.16%
2017	7.69%	35.17%	30.77%	15.38%	10.99%

The total number of casual workers was 3,411 (2017: 3,491) with 66 females and 3,345 males of different ethnic background including Chinese, Nepalese, Pakistanis and Vietnamese, etc. The annual turnover was attributed to retirement and voluntary resignation of project leads who became some of the main contractors of the Group which is the new generation cooperation model in the construction sector.

4.2. Employment Policies and Compliances

Through the years of experience in the industry, the Group understands that its success and development are highly dependent on its workforce, while health and work safety are of ultimate importance and priority; the Group is committed to providing a positive and safe working environment that embraces equality and diversity.

A competitive remuneration and benefit package is developed to identify, recruit, train and retain suitable, skilled and experienced employees. The Company Handbook has incorporated rules and regulations surrounding employment and labour standard, benefits and welfare, company organisation structure, leaves and holidays and code of conduct to ensure compliance with relevant laws to protect employees. Remuneration packages is reviewed periodically to ensure employees are assessed and rewarded based on their capabilities, responsibilities and performance. The Group provides equal opportunities for employees in respect of recruitment, remuneration and benefits, training and development, and job advancement.

The recruitment process and the labour standard are strictly abided by the Group's Staff Requisition and Recruitment Policy (SRRP), ensuring the proper and suitable candidates are hired in accordance with job requirement, relevant laws, and candidates' expectation for a fair, healthy and sustainable workforce.

As at the date of this report, there has been 22 cases of labour disputes relating to work injury claims against the Group. Nevertheless, the Group is committed to focusing on reducing the number of occupational injuries by continuously establishing and adopting various methods to improve the safety awareness and performance of the employees.

4.3. Health and Safety Policies and Compliances

The Group regarded 'safety first' as the underlying value of the organisational culture, work safety policies and procedures are established to protect employees and to ensure the compliance with applicable work safety laws and regulations.

Safety Induction training is provided to new employees and various occupational health and safety trainings are conducted to reinforce employees' safety awareness and practices; safety precautions tips are communicated through briefings, posters and notices, while monetary and non-monetary awards are used to encourage and reward employees' safety performance. Employees working for projects are provided with personal protective equipment such as gowns, gloves, eyewear and face masks for protection. Emergency procedures are communicated periodically, and employees' awareness is high.

The Group also requires its subcontractors to comply with its safety policies to protect the interest of their workers. Corporate safety audit is conducted regularly by registered safety auditors to encourage safety compliance and employees' safety commitment. The decrease in work injury rates clearly demonstrates the Group's effort in promoting and encouraging workplace safety. During the reporting period, the Group received various safety awards and has not violated any laws and regulations relating to safety and health.

Occupational Health and Safety Data	2018	2017
Number of Work-related Fatalities	0	0
Work injury cases with leave of absence >3 days	39	45
Work injury cases with leave of absence <3 days	3	5
Lost days due to work injury	4,997.5	3,404.0
Work Injury rate	3.98	5.67

4.4. Development and Training Policies

The Group understands that the experience and skills of employees are important and critical to its continued success and growth as formwork projects are generally labour intensive and skill specific. To ensure suitable and professional labour are available for different projects', various inhouse and outsourced training programs are offered to ensure employees are trained skilfully and professionally for their knowledge improvement and future career development. The Skills Enhancement Courses of the Advanced Construction Manpower Training Scheme – Pilot Scheme organised by the Construction Industry Council is one of the most welcomed programs to the employees. The Group also participated in the Council's Construction Tradesman Collaborative Training Scheme to provide training to people aspiring to develop their career in the construction industry.

5. SUPPLY CHAIN MANAGEMENT

The Group has been forming stronger bonds with its value chain partners to ensure the delivery of top-notch quality products to its customers. Its procurement policy is structured to warrants the best available quality goods are selected in an honest, competitive and fair manner that delivers the best cost performance.

The Group has a total of 94 product and service suppliers in its approved suppliers list. Since it is important to use reputable suppliers who offer reliable, stable, cost-effective and high-quality products to meet the needs and requirements of its customers, suppliers are assessed and selected based on rational and clear criteria including production process, quality management system, regulatory requirement compliancy, operating capacity, availability of sample for testing, packaging, management's commitment, training policies and procedures, price, delivery assurance, and product recall policies to ensure the best cost performance products and services are procured.

The Group maintains good relationship with its raw material suppliers and subcontractors so that high-quality work and on-time project completion could be enforced and guaranteed.

6. PRODUCT RESPONSIBILITY

The Group is one of the few formwork erection operators that can provide traditional formwork and system formwork in large-sized construction projects with design capacity (i.e. "design-and-build") in both building construction and civil engineering sectors. The overall success of a construction project depends on the design and use of a suitable formwork system to meet the specification of different construction requirements, as well as implementation of an effective resource planning strategy to control and maximise the use of the formwork system. The group's efforts in devising innovative construction methods and improving the technical skills of employees have successfully contributed to the registration of several patents, and as a result, distinguishes it from the common "build-only" contractors. During the reporting period, there were no significant complaints in project quality and delivery.

6.1. Protecting Intellectual Property Rights

The Group owned and registered several trademarks, patents, and domain names as they are important to its brand and corporate image. The Group has complied with the intellectual property (the "IP") rights regulations. As at the date of this ESG report, there was no material infringement of the IP rights and the Group is confident that all reasonable measures have been taken to prevent any infringement of its own IP rights and the IP rights of third parties.

6.2. Quality Assurance Process

The Group is committed to providing innovative and high-quality work to customers. The Group's Quality Manual prescribes systematic and standardised policies, processes and procedures so the quality of its formwork products is maintained and guaranteed. Based on the design and quality requirement of customers, its project management team oversees and manages processes from materials selection, quality management system, to the on-site work performance for quality control and product responsibility. Furthermore, the project manager of the team is responsible for the on-site supervision and inspection to ensure quality performance and to avoid non-conformance.

6.3. Consumer Data Protection and Privacy Policies

The Group properly manages and protects the data of its employees, customers, subcontractors and suppliers to ensure their privacy and confidentiality; its servers and computers are protected from access passwords, and all sales contracts, tender documents, related licenses, employees' personal data are neatly organised and archived. The Group complies with the Personal Data (Privacy) Ordinance and is strictly abided by the regulation in the collection, disclosure, usage, retention, and storage of data to ensure data integrity and safety.

7. ANTICORRUPTION POLICIES AND COMPLIANCES

The Group has regarded fairness, honesty and integrity as its core corporate value that must be uphold by every employees. To formalise the commitments, the Code of Conduct stipulated the requirement expected of all employees, and the Group's policies on corruption, conflict of interest and fraudulent activities when dealing with the Group's business. Employees should not offer to, solicit or accept anything of material value from their colleagues, customers, suppliers or other business partner of the Group unless the Group has given its consent.

The Group also conducts periodic and systematic risk assessment and communicates related anti-fraud policies and procedures to employees on a regular basis.

7.1. Conflict of Interest

The Code of Conduct stated that all Directors and employees should avoid the conflict between personal financial interest and their professional official duties in the Group. The policies also require employees to declare any potential conflict of interest and to report on any gifts or advantages offered to or received from the Group's business activities in writing.

7.2. Preventive Measures and Whistle-blowing Procedures

The Group encourages whistleblowing whereas an employee or a third party could report suspected misconduct, conflict of interest, malpractice or irregularity cases in strict confidence. All suspected frauds will be investigated by the Audit Committee confidentially. During the reporting period, training and communications on business ethics were conducted to reinforce employees' understanding. The Group also communicates the code of ethical conduct through emails and briefings during Chinese Festive seasons to remind employees of the Group's requirement. As at the date of this report, there were no related fraudulent cases reported against the Group.

8. CONSIDERING THE FUTURE OF SUSTAINABLE DEVELOPMENT

There are many challenges ahead in the sustainable development of the Group's business with the increasing concern over the impact of constructions related activities on the environment. Developing sustainably within an industry with fierce competition continues to be a challenge, but the Group will leverage on its designing strength in the industry, continue to research and explore in innovative construction methods to flourish sustainably in the industry.

9. STAKEHOLDERS' FEEDBACK

Stakeholders' comments and feedbacks regarding the Group's performance and approach on environmental, social and governance aspects are welcomed and valued. Questions, suggestions and recommendations could be sent via the 'contact us' link in the Group's official website at http://www.royal-deluxe.com.

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the Financial Year 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the provision of formwork erection and related ancillary services in Hong Kong. The details of the principal activities of the subsidiaries are set out in note 33 to the consolidated financial statements. There was no significant change in the Group's principal activities during the Financial Year 2018.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 April 2016. Its registered office and principal place of business are at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and Unit A, 22/F., T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

RESULTS AND DIVIDEND

The results of the Group for the Financial Year 2018 and the state of affairs of the Company and the Group at that date are set out in the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position and note 34 to the consolidated financial statements of this annual report.

The Board does not recommend the payment of any final dividend in respect of the Financial Year 2018.

CLOSURE OF REGISTER OF MEMBER

The forthcoming annual general meeting is scheduled to be held on Monday, 10 September 2018 (the "**2018 AGM**"). For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Wednesday, 5 September 2018 to Monday, 10 September 2018, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 4 September 2018.

BUSINESS REVIEW

The review of the Group's business for the Financial Year 2018 is set out in the sections headed "Chairman's Statement" on page 3 and "Management Discussion and Analysis" on pages 6 to 13 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to minimising the adverse impact to the environment caused by business operations. In order to comply with the applicable environmental protection laws and regulations, the Group established an environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal. The Group will continue to reduce the impacts of its operation on the environment and continue to make efforts to save energy.

For details of ESG performance of the Group, please refer to the Environmental, Social and Governance report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, these was no material breach or non-compliance with the applicable laws and regulation by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining good relationships with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the year under review, there were no material and significant dispute between the Group and its suppliers, customers and/or stakeholders.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Financial Year 2018 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

The Company's total issued share capital as at 31 March 2018 was 1,200,000,000 ordinary shares of HK$0.01 each.

Details of movements of the share capital of the Company during the Financial Year 2018 are set out in note 23 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the Financial Year 2018 are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2018, the Company's reserves available for distribution to owners comprising the aggregate amount of share premium less accumulated losses, amounted to approximately HK$22.3 million.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 100. This summary does not form part of the audited consolidated financial statements of the Group.

DIRECTORS

The Directors of the Company during the Financial Year 2018 and up to the date of this annual report were as follow:

Executive Directors

Mr. Wang Kei Ming *(Chairman)*	(Appointed on 12 April 2016)
Mr. Wang Yu Hin	(Appointed on 18 July 2016)

Independent Non-executive Directors

Mr. Lai Ah Ming Leon	(Appointed on 17 January 2017)
Mr. Lam Wai Ho	(Appointed on 17 January 2017 and resigned on 17 January 2018)
Mr. Kwong Ping Man	(Appointed on 17 January 2017)
Mr. Sio Kam Seng	(Appointed on 17 January 2018)

Information regarding Directors' emoluments are set out in note 10 to the consolidated financial statements.

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

By virtue of article 108 of the memorandum and articles of association of the Company, Mr. Wang Yu Hin and Mr. Kwong Ping Man will retire at the forthcoming AGM and, all being eligible, will offer themselves for re-election at the said meeting.

By virtue of article 112 of the memorandum and articles of association of the Company, Mr. Sio Kam Seng will retire at the forthcoming AGM and, being eligible, will offer himself for re-election at the said meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACT

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders or their subsidiaries, during the Financial Year 2018.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" below, at no time during the Financial Year 2018 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any director or their respective associates, or were any such rights exercised by them; or was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire the rights in any other body corporate.

EQUITY-LINKED AGREEMENTS

Save as "Share Option Scheme" disclosed on page 41 of this annual report, there was no equity-linked agreement entered into by the Company during the Financial Year 2018.

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

As at 31 March 2018, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long Position in shares and underlying shares of the Company

Name of director	Capacity/ Nature of interest	Number of underlying shares held	Approximate percentage of shareholding
Mr. Joseph Wang (note 1)	Interested in a controlled corporation	801,600,000	66.8%

Note:

1. Mr. Joseph Wang beneficially owns the entire issued share capital of Wang K M Limited ("**Wang K M**"), which directly holds 66.8% of the shares of the Company. Therefore, Mr. Joseph Wang is deemed to be interested in all the shares of the Company held by Wang K M for the purpose of the SFO. Mr. Joseph Wang is the sole director of Wang K M.

Save as disclosed above, as at 31 March 2018, none of the Directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as known to the Directors or chief executive of the Company, as at 31 March 2018, the following persons/entities (other than the Directors or chief executive of the Company) had or were deemed to have interests or short positions in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other member of the Group:

Long positions in shares and underlying shares of the Company

Name of shareholder	Capacity/ Nature of interest	Number of shares/ underlying shares held	Approximate percentage of shareholding
Wang K M	Beneficial owner	801,600,000	66.8%
Ms. Chao (Note 1)	Interest of spouse	801,600,000	66.8%

Note:

1. Ms. Chao is the spouse of Mr. Joseph Wang. Accordingly, Ms. Chao is deemed, or taken to be, interested in all the shares of the Company in which Mr. Joseph Wang is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2018, there was no person or corporation, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interest and short positions in shares, underlying shares and debentures of the Company" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

SHARE OPTION SCHEME

The Company's share option scheme ("**Share Option Scheme**") was conditionally adopted on 17 January 2017. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus and note 24 of the consolidated financial statements.

RELATED PARTY TRANSACTIONS

The related party transactions of the Company are set out in note 28 to the consolidated financial statements in this annual report. Save as disclosed in the section headed "Continuing Connected Transactions" in this annual report, some of the related party transactions also constitute a connected transaction (as defined in the Listing Rules) that is required to be disclosed.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into certain agreements with the Company's connected persons (as defined under Chapter 14A of the Listing Rules) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As disclosed in the Prospectus, upon date of Listing, two non-exempt continuing connected transactions have been entered into and will continue to be carried out between the Company and Genuine Treasure Access and Scaffolding Limited ("**GT Scaffolding**") and Genuine Treasure Construction Material Limited ("**GT Material**"). GT Scaffolding and GT Material are both companies wholly-owned by Ms. Wang Mung Nien Ann, the sister of Mr. Wang Kei Ming, and is therefore a connected person of the Company under the Listing Rules. The principal business activities of GT Material and GT Scaffolding are trading of construction materials and letting of scaffolding equipment, respectively.

GT Scaffolding Framework Agreement

The agreement entered into between the Company and GT Scaffolding prior to the Listing for a term ending 31 March 2019, pursuant to which GT Scaffolding has agreed to provide metal scaffold rental services, together with the necessary supporting equipment, technical support and transport services from time to time to the Group as request. Taking into account that the Group has established a long-term relationship with GT Material and GT Scaffolding (the "**Genuine Treasure Group**"), and has enjoyed better bulk purchase discount from GT Scaffolding than that from independent third parties, the Directors consider that it is in the interest of the Group to continue the business relationship with GT Scaffolding upon Listing.

GT Material Framework Agreement

The Group entered into the agreement between the Company and GT Material prior to the Listing for a term ending on 31 March 2019, pursuant to which GT Material agreed to provide timber materials to the Group from time to time as request. Timber materials which the Group purchases from GT Material are used to build the timber formwork and the timber purchased from GT Material in the past could be tailor-made to the specification, satisfied the quality requirement and was delivered in accordance with the specified time without major delay. The Directors consider that it is in the interest of the Group to continue the business relationship with GT material upon Listing.

The Directors, including the independent non-executive Directors, consider that all of the continuing connected transactions above and their respective annual caps are fair and reasonable, and that such transactions have been and will be entered into in the ordinary and usual course of the business of the Group, on normal commercial terms, are fair and reasonable, and in the interests of the Group and holder(s) of the Share(s) (the "**Shareholder(s)**") as a whole.

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit scheme are set out in note 25 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sub-section headed "Related Party Transactions" and "Continuing Connected Transactions" in "Directors' Report" on pages 41 to 42 and note 28 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contracts of the significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Financial Year 2018.

CONTRACTS OF SIGNIFICANCE BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE SUBSIDIARIES

For particulars of the contracts of significance between the Group and the Controlling Shareholders, Wang K M and Mr. Joseph Wang or their respective subsidiaries or the contracts of significance for the provision of services to the Group by the Controlling Shareholders or their respective subsidiaries, please refer to the paragraph headed "Related Party Transactions" and "Continuing Connected Transactions" in "Directors' Report" on pages 41 to 42 and note 28 to the consolidated financial statements.

MANAGEMENT CONTRACTS

Save for service contracts, no other contracts, relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisting during the Financial Year 2018.

COMPETING BUSINESS

During the Financial Year 2018, none of the Directors or the Controlling Shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Joseph Wang and Wang K M (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the Deed of Non-competition with the Company (for itself and for the benefit of each other member of the Group) on 17 January 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its close associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the convenantors also gave certain non-competition undertakings under the Deed of Non-competition as set out in the paragraph headed "Relationship with our controlling shareholders – Non-competition undertaking" in the Prospectus.

During the Financial Year 2018, the Company had not received any information in writing from any of the Covenantors in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Covenantors or their associates (other than any member of the Group), and the Company has received an annual written confirmation from the Covenantors in respect of his/its associates' compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that the Covenantors had complied with the Deed of Non-competition.

PERMITTED INDEMNITY PROVISION

Every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities secured or sustained by him as a director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which include discretionary bonus and other merit payments), taking into account other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once every year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the remuneration policy of the Group. It has been decided that Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 10 to the consolidated financial statements.

The remuneration of the senior management of the Group (excluding Directors) for the Financial Year 2018 falls within the following bands:

Remuneration Band	Number of Senior Management
Up to HK$1,000,000	2
HK$1,000,001 to HK$2,000,000	3
Above HK$2,000,000	–

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

DONATION

Charitable donations made by the Group during the Financial Year 2018 amounted to HK$293,000 (2017: HK$1,005,000).

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information publicly available to the Company, throughout the Financial Year 2018 the Directors confirm that the Company maintained a sufficient public float of at least 25% in the issued share capital of the Company as required under the Listing Rules..

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Financial Year 2018.

MAJOR CUSTOMERS

During the Financial Year 2018, the Group's five largest customers accounted for approximately 84.6% (2017: 78.5%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 40.3% (2017: 23.8%) of the total revenue.

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

MAJOR SUPPLIERS

During the Financial Year 2018, the Group's five largest suppliers accounted for 64.0% (2017: 71.2%) of the total purchases of the Group and the largest supplier of the Group accounted for 27.9% (2017: 28.3%) of the total purchases.

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

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 19 to 26 of this annual report.

AUDITORS

The consolidated financial statements of the Group for the Financial Year 2018 were audited by HLB Hodgson Impey Cheng Limited. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Wang Kei Ming
Chairman and Executive Director

Hong Kong, 22 June 2018

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

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

TO THE SHAREHOLDERS OF ROYAL DELUXE HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Royal Deluxe Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 99, 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and amounts due from/(to) customers for contract work	
Refer to key sources of estimation uncertainty in Note 4 and the disclosures of revenue and amounts due from/(to) customers for contract works in Note 5 and 16 respectively to the consolidated financial statements. We identified the contract revenue, costs of construction contracts, amounts due from/(to) customers for contract work as a key audit matter due to significant judgements involved in the management's assessment process.	Our audit procedures in relation to recognition of revenue and costs from construction contracts and amounts due from/(to) customers for contract work mainly included: • Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and amounts due from/(to) customers for contract work (Continued)	
The Group recognised contract revenue and costs of construction contracts according to the management's estimation of the progress and outcome of the projects. As disclosed in Note 4 to the consolidated financial statements, the management estimated contract revenue with reference to the terms of the relevant contracts or, in case of variation orders, based on contract terms or other forms of agreements, and estimated the total contract costs, which mainly comprise direct labour costs, subcontracting charges and costs of materials, based on quotations from time to time provided by the major subcontractors/suppliers/vendors and the experience of the management of the Group, which involve the management's best estimates and judgements, 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.	• Understanding from management how the budgets were prepared and the respective stage of completion were determined. • Assessing the reasonableness of the budgets by comparing the actual outcome against management's estimation of completed contracts. • Testing the actual costs incurred on construction works during the reporting period. • Evaluating the reasonableness of percentage of completion by obtaining the certificates issued by customers. • Checking the amounts due from/(to) customers for contract work by agreeing the actual costs incurred and progress billings acknowledged by the customers to the invoices/payment certificates.
Impairment of trade receivables and retention receivables	
Refer to key sources of estimation uncertainty in Note 4 and the disclosures of trade receivables and retention receivables in Note 15 to the consolidated financial statements. We identified the impairment of trade receivables and retention receivables as a key audit matter due to the use of judgement and estimates in assessing the recoverability of trade receivables and retention receivables. In determining whether there is objective evidence of impairment loss, the Group takes into consideration the credit quality of the receivables and the past collection history of the customer which may require management's judgement.	Our audit procedures in relation to impairment of trade receivables and retention receivables mainly included: • Obtaining an understanding and evaluating the methodologies and assumptions used by the Group in assessing impairment allowances. • Testing the accuracy of ageing analysis of the receivables. • Assessing the reasonableness of recoverability of trade receivables and retention receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of each individual customer.

OTHER INFORMATION

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

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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 22 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	**673,275**	603,839
Direct costs		**(563,636)**	(487,301)
Gross profit		**109,639**	116,538
Other income, other gains and losses, net	6	**5,421**	6,233
Administration and other operating expenses		**(44,410)**	(41,496)
Finance costs	7	**(2,673)**	(2,895)
Profit before tax	8	**67,977**	78,380
Income tax expense	9	**(11,917)**	(14,597)
Profit and total comprehensive income for the year attributable to owners of the Company		**56,060**	63,783
		HK cents	HK cents
Earnings per share			
– Basic and diluted	12	**4.67**	6.29

Details of dividend are disclosed in Note 11 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	13	**62,567**	3,875
Deposits and prepayments for life insurance policy	14	**3,829**	3,727
Club membership		**1,188**	–
Deferred tax assets	22	**104**	–
		67,688	7,602
Current assets			
Trade and other receivables	15	**140,571**	129,096
Amounts due from customers for contract work	16	**111,058**	53,016
Bank balances and cash	19	**57,066**	119,718
		308,695	301,830
Total assets		**376,383**	309,432
Current liabilities			
Trade and other payables	20	**91,193**	99,617
Amounts due to customers for contract work	16	**10,821**	17,527
Borrowings	21	**49,374**	20,746
Current tax liabilities		**1,456**	4,134
		152,844	142,024
Net current assets		**155,851**	159,806
Total assets less current liabilities		**223,539**	167,408
Non-current liabilities			
Deferred tax liabilities	22	**71**	–
Net assets		**223,468**	167,408
Capital and reserves			
Share capital	23	**12,000**	12,000
Reserves		**211,468**	155,408
Equity attributable to owners of the Company		**223,468**	167,408

The consolidated financial statements on pages 49 to 99 were approved and authorised for issue by the board of directors on 22 June 2018 and signed on its behalf by:

Mr. Wang Kei Ming
Director

Mr. Wang Yu Hin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital HK$'000 (Note 23)	Share premium HK$'000	Special reserve HK$'000 (Note)	Retained profits HK$'000	Total equity HK$'000
Balance at 1 April 2016	1,020	–	–	118,261	119,281
Profit and total comprehensive income for the year	–	–	–	63,783	63,783
Dividend recognised as distribution (Note 11)	–	–	–	(128,000)	(128,000)
Reorganisation	(1,020)	–	1,020	–	–
Capitalisation issue	9,840	(9,840)	–	–	–
Issue of shares under share offer	2,160	118,800	–	–	120,960
Transaction costs attributable to issue of shares	–	(8,616)	–	–	(8,616)
Balance at 31 March 2017 and 1 April 2017	12,000	100,344	1,020	54,044	167,408
Profit and total comprehensive income for the year	**–**	**–**	**–**	**56,060**	**56,060**
Balance at 31 March 2018	**12,000**	**100,344**	**1,020**	**110,104**	**223,468**

Note:

Special reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the Reorganisation (as defined in Note 1 to the consolidated financial statements).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Profit before tax	**67,977**	78,380
Adjustments for:		
Depreciation of property, plant and equipment	**3,466**	2,257
Amortisation of premium and other expenses charged on life insurance policy	**13**	104
Gain arising on change in fair value of derivative financial instruments	**–**	(112)
Loss/(gain) on written off or disposal of property, plant and equipment	**103**	(10)
Interest expense	**2,673**	2,895
Interest income	**(66)**	(86)
Interest income on deposits and prepayments for life insurance policy	**(115)**	(114)
Operating cash flows before movements in working capital	**74,051**	83,314
Increase in trade and other receivables	**(11,475)**	(67,381)
Increase in amounts due from customers for contract work	**(58,042)**	(24,384)
Decrease in amount due from a director	**–**	14,006
Decrease in amounts due from related parties	**–**	5,815
(Decrease)/increase in trade and other payables	**(8,310)**	41,991
Decrease in amounts due to customers for contract work	**(6,706)**	(5,384)
Decrease in amounts due to related parties	**–**	(2)
Cash (used in)/generated from operations	**(10,482)**	47,975
Interest received	**66**	86
Interest paid	**(2,787)**	(2,705)
Hong Kong Profits Tax paid	**(14,628)**	(21,459)
Net cash (used in)/generated from operating activities	**(27,831)**	23,897
Cash flows from investing activities		
Net cash outflow for derivative financial instruments	**–**	(360)
Payment for club membership	**(1,188)**	–
Proceeds from disposal of property, plant and equipment	**–**	10
Purchases of property, plant and equipment	**(62,261)**	(2,336)
Decrease/(increase) in restricted bank deposits	**3,000**	(3,000)
Net cash used in investing activities	**(60,449)**	(5,686)

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from financing activities			
Dividend paid		–	(12,800)
Proceeds from share offer		–	120,960
Transaction costs on issue of shares		–	(8,616)
Proceeds from borrowings		**71,610**	47,000
Repayment of borrowings		**(42,982)**	(67,754)
Repayment of obligations under finance leases		–	(1,326)
Net cash generated from financing activities		**28,628**	77,464
Net (decrease)/increase in cash and cash equivalents		**(59,652)**	95,675
Cash and cash equivalents at the beginning of year		**116,718**	21,043
Cash and cash equivalents at the end of year	19	**57,066**	116,718

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Royal Deluxe Holdings Limited ("the Company") was incorporated in the Cayman Islands on 12 April 2016 as an exempted company with limited liability. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 February 2017 (the "Listing"). Its parent and ultimate holding company is Wang K M Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wang Kei Ming ("Mr. Joseph Wang"), an executive director of the Company.

The addresses of the registered office and the principal place of business of the Company are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit A, 22th Floor, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in the provision of formwork erection and related ancillary services in Hong Kong.

Prior to the corporate reorganisation undertaken in preparation for the Listing of the Company's shares on the Main Board of the Stock Exchange (the "Reorganisation"), the group entities were under the control of Mr. Joseph Wang. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 28 June 2016. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the year ended 31 March 2017. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Joseph Wang prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the year ended 31 March 2017 in accordance with Accounting Guideline 5 "*Merger Accounting for Common Control Combinations*" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2017, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the year ended 31 March 2017, or since their respective dates of incorporation where this is a shorter period.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 32. Consistent with the transaction provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 32, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue 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	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[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 HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective for annual periods beginning on or after a date to be determined.

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are described as below:

All recognised financial assets that are within the scope of HKFRS 9 are required 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 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, 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.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

Debt instruments classified as loans and receivables carried at amortised cost are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 April 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 April 2018.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

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

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

The directors intend to use the limited retrospective method of transition to HKFRS 15. Apart from the recognition of construction costs as explained above and providing more extensive disclosure on the Group's revenue transactions, the directors do not anticipate that the application of HKFRS 15 will have material effect on the financial position and/or financial performance of the Group.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold land for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 16 Leases (Continued)

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$703,000 as disclosed in Note 26(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of such leases unless they qualify as low value or short-term leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material effect on the Group's consolidated financial statements.

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 ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when 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 a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving entities under common control

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

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the ordinary course of business. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to surveys of work performed.

Dividend income from investments are recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

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

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.

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 lessee

Operating lease payments, including the cost of acquiring land held under operating leases, 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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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.

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

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 tax" as reported in the consolidated statement 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 the 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 bases 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 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 rates (and tax laws) that have been enacted or substantively enacted by the end of the 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 the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately 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.

The amount recognised as a provision is 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.

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 fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value 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 FVTPL are recognised immediately in profit or loss.

Financial assets

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 and points 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 an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 deposits and prepayments for life insurance policy, financial assets included in trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

Impairment of 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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 respective 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade 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 a trade receivable is 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 the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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 Company are recognised at the proceeds received, net of direct issue costs.

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 (including all fees and points 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 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.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading (or contingent consideration that may be paid by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the "other income, other gains and losses, net" line item.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset 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, 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 equity is recognised in profit or loss.

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person:

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

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies: (Continued)

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

Cash and cash equivalents

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

Government grant

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 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the management of the Group is 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 on-going 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.

The followings are the key assumptions concerning the futures, 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.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and consequently related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the deprecation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Construction contracts revenue recognition

The Group recognises contract revenue and cost of a construction contract according to the management's estimation of the progress and outcome of the project. Estimated contract revenue is determined with reference to the terms of the relevant contracts or, in case of variation order, based on contract terms or other forms of agreements. Estimated contract cost, which mainly comprises direct labour cost, subcontracting charges and costs of materials, is variable and estimated by the management on the basis of estimated cost of direct labour, subcontracting charges and costs of materials from time to time based on quotations provided by the major subcontractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management frequently reviews and revises the estimates of both estimated 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.

Impairment of trade receivables and retention receivables

The Group makes impairment loss for doubtful debts based on an assessment of the recoverability of trade receivables and retention receivables. Provisions are applied to trade receivables and retention receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit quality of the receivables and the past collection history of each customer. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received and receivables from construction services in Hong Kong. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the directors of the Company) reviews the overall results and financial position of the Group as a whole as the Group is primarily engaged in the provision of formwork erection and related ancillary services in Hong Kong. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. All of the Group's revenue from external customers are derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong. Accordingly, no geographical information is presented.

Information about major customers

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

	2018 HK$'000	2017 HK$'000
Customer A	**N/A**[1]	83,441
Customer B	**271,399**	132,850
Customer C	**101,844**	143,717
Customer D	**81,404**	N/A[1]

[1] The corresponding revenue did not contribute over 10% of the Group's total revenue.

6. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2018 HK$'000	2017 HK$'000
Other income		
Bank interest income	**66**	86
Interest income on deposits and prepayments for life insurance policy	**115**	114
Income from sale of scrap materials	**3,092**	1,197
Government grants	**–**	250
Sundry income	**2,247**	4,464
	5,520	6,111
Other gains and losses, net		
Net foreign exchange gain	**4**	–
(Loss)/gain on written off or disposal of property, plant and equipment	**(103)**	10
Gain arising on change in fair value of derivative financial instruments	**–**	112
	(99)	122
	5,421	6,233

7. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank borrowings and overdrafts	**2,673**	2,848
Interest on obligations under finance leases	**–**	47
	2,673	2,895

8. PROFIT BEFORE TAX

	2018 HK$'000	2017 HK$'000
Profit before tax has been arrived at after charging:		
Employee benefits expense (Note):		
Salaries and other benefits in kind	**438,026**	327,431
Discretionary bonuses	**4,613**	10,975
Contributions to retirement benefit scheme	**12,943**	11,171
Total employee benefits expense, including directors' emoluments	**455,582**	349,577
Amortisation of premium and other expenses charged on life insurance policy	**13**	104
Auditors' remuneration	**1,050**	950
Depreciation of property, plant and equipment	**3,466**	2,257
Listing expenses	**–**	9,732
Net foreign exchange loss	**–**	4
Operating lease rentals in respect of:		
– Land and buildings	**1,365**	1,412
– Plant and equipment	**16,431**	13,577

Note:

During the years ended 31 March 2018 and 2017, total employee benefits expense amounting to approximately HK$427,543,000 and HK$335,019,000 respectively was included in direct costs and amounting to approximately HK$28,039,000 and HK$14,558,000 respectively was included in administration and other operating expenses.

9. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current income tax:		
– Hong Kong Profits Tax	11,950	14,597
Deferred tax (Note 22)	(33)	–
Total income tax expense recognised in profit or loss	11,917	14,597

Hong Kong Profits Tax is calculated at 16.5% (2017:16.5%) of the estimated assessable profits arising in or derived from Hong Kong for the year ended 31 March 2018.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 HK$'000	2017 HK$'000
Profit before tax	67,977	78,380
Tax at Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	11,216	12,933
Tax effect of temporary differences not recognised	(413)	(609)
Tax effect of income not taxable for tax purpose	(12)	(49)
Tax effect of expenses not deductible for tax purpose	1,256	2,448
Tax effect of tax losses not recognised	–	59
Utilisation of tax losses previously not recognised	(69)	(145)
Tax reduction	(61)	(40)
Income tax expense for the year	11,917	14,597

As at 31 March 2017, no deferred tax assets and liabilities are recognised in the consolidated financial statements as the Group did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

As at 31 March 2018, the Group had unused tax losses of approximately HK$710,000 (2017: HK$355,000) that are available for offset against future profits that may be carried forward indefinitely.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Details of the emoluments to each of the directors and chief executive of the Company are as follows:

	Fees HK$'000	Salaries and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
For the year ended 31 March 2018					
Executive directors					
Mr. Joseph Wang (Note (i))	**–**	**12,000**	**3,000**	**18**	**15,018**
Mr. Wang Yu Hin (Note (ii))	**–**	**1,098**	**275**	**18**	**1,391**
Independent non-executive directors					
Mr. Kwong Ping Man (Note (iii))	**180**	**–**	**–**	**–**	**180**
Mr. Lai Ah Ming Leon (Note (iii))	**180**	**–**	**–**	**–**	**180**
Mr. Lam Wai Ho (Note (iv))	**98**	**–**	**–**	**–**	**98**
Mr. Sio Kam Seng (Note (v))	**37**	**–**	**–**	**–**	**37**
Chief executive officer					
Ms. Chao Lai Heng	**–**	**981**	**–**	**5**	**986**
	495	**14,079**	**3,275**	**41**	**17,890**
For the year ended 31 March 2017					
Executive directors					
Mr. Joseph Wang (Note (i))	–	8,400	–	18	8,418
Mr. Wang Yu Hin (Note (ii))	–	648	90	18	756
Independent non-executive directors					
Mr. Kwong Ping Man (Note (iii))	90	–	–	–	90
Mr. Lai Ah Ming Leon (Note (iii))	90	–	–	–	90
Mr. Lam Wai Ho (Note (iv))	90	–	–	–	90
	270	9,048	90	36	9,444

Notes:

(i) Mr. Joseph Wang was appointed as executive director of the Company on 12 April 2016. He was also a director of certain subsidiaries of the Company and the Group paid emoluments to him in his capacity as directors of these subsidiaries prior to becoming the director of the Company for the year ended 31 March 2017.

(ii) Mr. Wang Yu Hin was appointed as executive director of the Company on 18 July 2016. He was also a senior management of a subsidiary of the Company and the Group paid emoluments to him in his capacity as an employee prior to becoming the director of the Company for the year ended 31 March 2017.

(iii) Mr. Kwong Ping Man and Mr. Lai Ah Ming Leon were appointed as independent non-executive directors of the Company on 17 January 2017.

(iv) Mr. Lam Wai Ho was appointed as independent non-executive director of the Company on 17 January 2017 and resigned on 17 January 2018.

(v) Mr. Sio Kam Seng was appointed as independent non-executive director of the Company on 17 January 2018.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

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

Mr. Joseph Wang was the chief executive officer of the Company and resigned on 18 January 2018. Mr. Joseph Wang's spouse, Ms. Chao Lai Heng was appointed as chief executive officer of the Company on the same day.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Neither the chief executive officer nor any of the directors waived or agreed to waive any emoluments during the year ended 31 March 2018 (2017: Nil).

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2017: one) of them were directors of the Company whose emoluments are disclosed above. The emoluments in respect of the remaining three (2017: four) highest paid individuals are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other benefits in kind	**3,923**	4,827
Discretionary bonuses	**58**	7,374
Contributions to retirement benefit scheme	**54**	72
	4,035	12,273

The emoluments of the highest paid employees who are non-director and non-chief executive whose emoluments fell within the following bands are as follows:

	Number of individuals	
	2018	2017
HK$1,000,001 to HK$1,500,000	**3**	–
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	1
HK$4,000,001 to HK$4,500,000	**–**	2
	3	4

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

11. DIVIDEND

During the year ended 31 March 2017, the Company declared an interim dividend of HK$128,000,000 to its then equity owners in January 2017. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the preparation of these consolidated financial statements.

No final dividend was proposed by the board of directors for the year ended 31 March 2018 (2017: Nil).

12. EARNINGS PER SHARE

	2018 HK$'000	2017 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**56,060**	63,783

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,200,000**	1,014,773

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2018 was derived from 1,200,000,000 ordinary shares in issue throughout the year.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2017 was derived from 984,000,000 ordinary shares in issue, as if these 984,000,000 ordinary shares were outstanding throughout the year and the effect of the share offer by the Company pursuant to the Listing.

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

13. PROPERTY, PLANT AND EQUIPMENT

	Metal column, timber and scaffolds	Land and building	Leasehold improvements	Office equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
Balance at 1 April 2016	32,255	–	1,502	1,062	1,510	3,903	40,232
Additions	–	–	–	464	25	1,847	2,336
Disposals	(32,255)	–	–	(22)	–	(155)	(32,432)
Balance at 31 March 2017	–	–	1,502	1,504	1,535	5,595	10,136
Additions	**–**	**57,989**	**2,805**	**943**	**524**	**–**	**62,261**
Disposals	**–**	**–**	**(143)**	**(50)**	**(52)**	**–**	**(245)**
Balance at 31 March 2018	**–**	**57,989**	**4,164**	**2,397**	**2,007**	**5,595**	**72,152**
Accumulated depreciation							
Balance at 1 April 2016	32,255	–	884	583	857	1,857	36,436
Depreciation expense	–	–	375	194	380	1,308	2,257
Eliminated on disposals	(32,255)	–	–	(22)	–	(155)	(32,432)
Balance at 31 March 2017	–	–	1,259	755	1,237	3,010	6,261
Depreciation expense	**–**	**1,288**	**289**	**356**	**181**	**1,352**	**3,466**
Eliminated on disposals	**–**	**–**	**(71)**	**(51)**	**(20)**	**–**	**(142)**
Balance at 31 March 2018	**–**	**1,288**	**1,477**	**1,060**	**1,398**	**4,362**	**9,585**
Carrying amounts							
Balance at 31 March 2018	**–**	**56,701**	**2,687**	**1,337**	**609**	**1,233**	**62,567**
Balance at 31 March 2017	–	–	243	749	298	2,585	3,875

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the remaining terms of the leases
Building	Over the shorter of the terms of the leases or useful life
Metal column, timber and scaffolds	50%
Leasehold improvements	25%
Office equipment	20%
Furniture and fixtures	25%
Motor vehicles	25%

As at 31 March 2018, the Group has pledged certain land and building with carrying amount of approximately HK$46,847,000 to secure general banking facilities (2017: Nil).

14. DEPOSITS AND PREPAYMENTS FOR LIFE INSURANCE POLICY

The Group entered into a life insurance policy with an insurance company to insure Mr. Joseph Wang. Under the policy, Ming Tai Construction Engineering Company Limited ("Ming Tai Construction"), an indirect wholly-owned subsidiary of the Company, is the beneficiary and policy holder and the total insured sum is United States Dollars ("US$") 1,033,000 (equivalent to approximately HK$8,021,000). Ming Tai Construction is required to pay upfront deposits of approximately US$500,000 (equivalent to approximately HK$3,883,000). Ming Tai Construction can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront payments of approximately US$500,000 (equivalent to approximately HK$3,883,000) plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. In addition, if withdrawal is made at any time during the first to the twentieth policy year, as appropriate, a pre-determined specified amount of surrender charge would be imposed. The insurance company will pay Ming Tai Construction a minimum guaranteed interest of 3% per annum for the insured period.

The directors of the Company consider that the possibility of terminating the policy during the first to twentieth policy year was low and the expected life of the life insurance policy remains unchanged since its initial recognition. The deposits and prepayments for life insurance policy are denominated in US$.

15. TRADE AND OTHER RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Trade receivables	**88,805**	81,595
Retention receivables	**47,950**	40,689
Deposits, prepayments and other receivables	**3,816**	6,812
	140,571	129,096

The Group allows a credit period ranging from 7 to 56 days (2017: 7 to 56 days) to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The ageing analysis of trade receivables presented based on the date of progress certificates issued by customers, at the end of the reporting period, are as follows:

	2018 **HK$'000**	2017 HK$'000
0 – 30 days	**50,864**	61,403
31 – 60 days	**25,526**	19,310
61 – 90 days	**12,162**	882
91 – 180 days	**253**	–
	88,805	81,595

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

15. TRADE AND OTHER RECEIVABLES (Continued)

Ageing of trade receivables which are past due but not impaired

	2018 HK$'000	2017 HK$'000
Overdue by:		
1 – 30 days	**28,853**	18,371
31 – 60 days	**12,252**	–
	41,105	18,371

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgement and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

Except for retention receivables of approximately HK$46,589,000 (2017: HK$34,391,000) as at 31 March 2018 which are expected to be recovered after one year, all of the remaining retention receivables are expected to be recovered within one year.

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

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

	2018 HK$'000	2017 HK$'000
Contract costs incurred plus recognised profits less recognised losses	**1,881,889**	1,605,584
Less: Progress billings received and receivables	**(1,781,652)**	(1,570,095)
	100,237	35,489
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**111,058**	53,016
Amounts due to customers for contract work	**(10,821)**	(17,527)
	100,237	35,489

As at 31 March 2018, retentions held by customers for contract work amounted to approximately HK$47,950,000 (2017: HK$40,689,000), as set out in Note 15. Retention monies withheld by customers for contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

17. AMOUNT DUE FROM A DIRECTOR

Name	2018 HK$'000	2017 HK$'000
Mr. Joseph Wang	–	–
Maximum amount outstanding during the year	–	128,670

The amount due was non-trade in nature, unsecured, interest-free and had no fixed terms of repayment.

18. AMOUNTS DUE FROM RELATED PARTIES

The amounts due from related parties are non-trade in nature, unsecured, interest-free and repayable on demand which are analysed as follows:

	2018 HK$'000	2017 HK$'000
Amounts due from related parties:		
First Land Enterprises Limited (Note (i))	–	–
Genuine Treasure Construction Material Limited (Note (ii))	–	–
Kingsly Limited (Note (iii))	–	–
Ho San Construction Materials Company Limited (Note (iv))	–	–
	–	–
Maximum amount outstanding during the year:		
First Land Enterprises Limited	–	1,752
Genuine Treasure Construction Material Limited	–	39,909
Kingsly Limited	–	4,406
Ho San Construction Materials Company Limited	–	114

Notes:

(i) Mr. Joseph Wang and a close family member were shareholders and directors of First Land Enterprises Limited as at 31 March 2017. Mr. Joseph Wang resigned as director and disposed of his shares to his close family member in First Land Enterprises Limited during the year ended 31 March 2018.

(ii) Mr. Joseph Wang's close family member was the substantial shareholder and director of Genuine Treasure Construction Material Limited.

(iii) Mr. Joseph Wang was a substantial shareholder and director of Kingsly Limited.

(iv) Mr. Joseph Wang had material beneficial interest in Ho San Construction Materials Company Limited before February 2016. Prior to the Reorganisation, Mr. Joseph Wang disposed of his shares in the company and Mr. Joseph Wang ceased control over the company in February 2016.

19. BANK BALANCES AND CASH

	2018 HK$'000	2017 HK$'000
Bank balances and cash in the consolidated statement of financial position	**57,066**	119,718
Less: Restricted bank balances	**–**	(3,000)
Cash and cash equivalents in the consolidated statement of cash flows	**57,066**	116,718

Restricted bank balances are deposits placed in bank to secure the issuance of performance bonds (Note 27). The performance bond was released during the financial year ended 31 March 2018.

Bank balances earn interests at floating rate based on daily bank deposit rates and is placed with creditworthy banks with no recent history of default.

20. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	**21,346**	25,700
Bills payables	**36,371**	20,621
Retention payables	**5,540**	1,689
Other payables and accruals	**27,936**	43,662
Deposits received	**–**	7,945
	91,193	99,617

The credit period on trade payables is generally 30 to 60 days (2017: 7 to 60 days).

As at 31 March 2018 and 2017, included in trade payables was approximately HK$952,000 and Nil respectively payable to a related company, Genuine Treasure Construction Material Limited. Mr. Joseph Wang's close family member was the substantial shareholder and director of Genuine Treasure Construction Material Limited.

As at 31 March 2018 and 2017, included in trade payables was approximately HK$1,973,000 and HK$2,499,000 respectively payable to a related company, Genuine Treasure Access and Scaffolding Limited. Mr. Joseph Wang's close family member was the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.

20. TRADE AND OTHER PAYABLES (Continued)

The ageing analysis of trade payables, presented based on the invoice date, at the end of the reporting period, are as follows:

	2018 HK$'000	2017 HK$'000
0 – 30 days	**5,363**	10,283
31 – 60 days	**4,776**	9,502
61 – 90 days	**7,805**	5,495
91 – 180 days	**3,262**	322
Over 180 days	**140**	98
	21,346	25,700

As at 31 March 2018, bills payables have original maturities of ranging from 120 days to 123 days (2017: from 77 days to 122 days).

Except for retention payables of approximately HK$2,848,000 (2017: HK$957,000) as at 31 March 2018 which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

21. BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank loans – secured	**49,374**	20,746

Notes:

(i) All bank loans of the Group as at 31 March 2018 and 2017 contain repayment on demand clauses and are included in current liabilities.

(ii) During the year ended 31 March 2018, the bank loans bear interest at floating rates ranging from 2.42% to 5.25% per annum (2017: 2.24% to 7.50% per annum).

(iii) The Group's banking facilities granted by certain banks were secured/guaranteed by:

- Unlimited corporate guarantee by the Company as at 31 March 2018 and 2017;
- Land and building owned by the Group (Note 13) and an assignment of insurance policy in respect of the property as at 31 March 2018;
- Leasehold properties owned by related companies of which Mr. Joseph Wang has beneficial interests in as at 31 March 2017; and
- Assignment of life insurance policy of Mr. Joseph Wang (Note 14) as at 31 March 2017.

(iv) Subsequent to the end of the reporting period, the Group has obtained general banking facilities by securing a deed of assignment with a bank in respect of the benefits over a construction contract. The Group's available banking facilities have been increased from approximately HK$95.4 million as at 31 March 2018 to HK$119.4 million after the grant of new banking facilities by the bank in April 2018.

22. DEFERRED TAX

The movements in the Group's deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits HK$'000
At 1 April 2016, 31 March 2017 and 1 April 2017	–
Credited to profit or loss (Note 9)	**104**
At 31 March 2018	**104**

Deferred tax liabilities

	Depreciation allowances in excess of the related depreciation HK$'000
At 1 April 2016, 31 March 2017 and 1 April 2017	–
Charged to profit or loss (Note 9)	**71**
At 31 March 2018	**71**

Deferred tax assets have been recognised in respect of approximately HK$630,000 of the Group's tax losses at 31 March 2018. Deferred tax assets have not been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams in certain subsidiaries.

23. SHARE CAPITAL

	Number of ordinary shares	Share capital HK$
Ordinary share of HK$0.01 each		
Authorised:		
At 12 April 2016 (date of incorporation) (Note (ii))	**38,000,000**	**380,000**
Increase on 17 January 2017 (Note (iv))	**1,962,000,000**	**19,620,000**
At 31 March 2017 and 2018	**2,000,000,000**	**20,000,000**
Issued and fully paid:		
At 12 April 2016 (date of incorporation) (Note (ii))	**1**	**–**
Issue of shares pursuant to Reorganisation (Note (iii))	**9,999**	**100**
Issue of shares upon capitalisation issue (Note (v))	**983,990,000**	**9,839,900**
Issue of shares under share offer (Note (vi))	**216,000,000**	**2,160,000**
At 31 March 2017 and 2018	**1,200,000,000**	**12,000,000**

Notes:

(i) The balance of the Group's share capital at 1 April 2016 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the completion of the Reorganisation.

(ii) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 April 2016 with an initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. One nil-paid ordinary share was allotted and issued to the initial subscriber on 12 April 2016, and was subsequently transferred to Wang K M Limited on the same date.

(iii) Pursuant to the Reorganisation and as consideration for the acquisition by MT Construction Limited, MT Engineering Limited and MT Technology Limited of the entire share capital of Ming Tai Construction, Ming Tai Civil Engineering Company Limited ("Ming Tai Civil") and Genuine Treasure Construction Technology Company Limited, respectively from Mr. Joseph Wang, 9,999 nil-paid ordinary shares of the Company were allotted and issued to Wang K M Limited on 27 June 2016. On 28 June 2016, pursuant to the Reorganisation and as consideration by the Company of the entire issue share capital of MT Construction Limited, MT Engineering Limited and MT Technology Limited from Wang K M Limited, 10,000 nil-paid ordinary shares held by Wang K M Limited were credited as fully paid.

(iv) Pursuant to the written resolution passed by the shareholders on 17 January 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of 1,962,000,000 ordinary shares of HK$0.01 each which, upon issue shall rank pari passu in all aspects with the existing issued ordinary shares.

(v) Pursuant to the written resolutions of the shareholders passed on 17 January 2017, subject to the share premium account of the Company being credited as a result of the share offer, the directors of the Company are authorised to allot and issue a total of 983,990,000 ordinary shares, by way of capitalisation of the sum of approximately HK$9,839,900 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders on the register of members of the Company at the close of business on 17 January 2017 in proportion to their then existing shareholdings in the Company.

(vi) On 8 February 2017, the Company issued 216,000,000 ordinary shares of HK$0.01 each pursuant to the Company's Listing on the Main Board of the Stock Exchange by way of the share offer at a price of HK$0.56 per ordinary share.

24. SHARE OPTION SCHEME

The Company has adopted a share option scheme ("Scheme") pursuant to a resolution passed on 17 January 2017. The purpose of the Scheme is to attract and retain the best available personnel, to provide additional 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.

Under the Scheme, the board of directors may, at their absolute discretion and subject to the terms of the Scheme, grant any employees (full-time or part-time), directors, consultants or advisers of the Group, or any substantial shareholder of the Group, or any distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, options to subscribe for shares of the Company. The basis of eligibility of any participant to the grant of any option shall be determined by the board of directors (or as the case may be, the independent non-executive directors) from time to time on the basis of the contribution or potential contribution to the development and growth of the Group.

Under the Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange.

The 10% limit as mentioned above may be refreshed at any time by approval of the Company's shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other option schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

The total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of such limit must be separately approved by the Company's shareholders in general meeting with such grantee and his close associates abstaining from voting. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Company's shareholders and the date of board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

24. SHARE OPTION SCHEME (Continued)

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

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the board of directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

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

The Scheme will remain in force for a period of ten years commencing from 17 January 2017 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Company's shareholders in general meeting.

There was no share option granted to eligible participants during the year ended 31 March 2018 (2017: Nil). There was no outstanding share options as at 31 March 2018 (2017: Nil).

25. RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF scheme") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of an independent trustee.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The only obligation of the Group with respect of the MPF Scheme is to make the specified contributions. The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$12,943,000 (2017: HK$11,171,000) and represent contributions paid or payable to the MPF Scheme by the Group for the year ended 31 March 2018.

26. COMMITMENTS

(a) Capital commitments

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

	2018 HK$'000	2017 HK$'000
Contracted but not provided for:		
Property, plant and equipment	**1,808**	169

(b) Operating lease commitments – Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**607**	987
In the second to fifth years inclusive	**96**	–
	703	987

Operating lease relates to premises with lease term of 6 months to 2 years (2017: 2 years) and the rentals are fixed throughout the lease period.

27. PERFORMANCE BONDS AND CONTINGENT LIABILITIES

A construction contract customer undertaken by the Group required Ming Tai Construction, an indirect wholly-owned subsidiary of the Company, to issue guarantees for the performance of contract works in the form of performance bonds of HK$12,000,000 as at 31 March 2017. The performance bonds would be released until Ming Tai Construction submits a copy of the notification of the completion of the sub-contract works which is accepted formally by the customer or until March 2019 whichever shall be first occurred. During the year ended 31 March 2018, the aforesaid performance bonds had been early released as the sub-contract works were completed.

28. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

Details of outstanding balances with related parties are set out in Notes 17, 18 and 20.

(b) Material related party transactions

The Group entered into the following material related party transactions during the year:

Name of related parties	Nature	**2018 HK$'000**	2017 HK$'000
First Land Enterprises Limited (Note (i))	Rental charge	**257**	343
Genuine Treasure Construction Material Limited (Note (iii))	Purchase of construction materials and scaffolding equipment rental	**6,588**	7,318
	Transportation and plant hiring charge	**297**	589
Genuine Treasure Access and Scaffolding Limited (Note (ii))	Scaffolding & equipment rental charge	**13,104**	11,766
	Transportation and plant hiring charge	**–**	602
	Purchase of construction materials	**40**	622

Notes:

(i) Mr. Joseph Wang and a close family member were shareholders and directors of First Land Enterprises Limited as at 31 March 2017. Mr. Joseph Wang resigned as director and disposed of his shares to his close family member in First Land Enterprises Limited during the year ended 31 March 2018.

(ii) Mr. Joseph Wang's close family member was the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.

(iii) Mr. Joseph Wang's close family member was the substantial shareholder and director of Genuine Treasure Construction Material Limited.

(iv) The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The directors of the Company are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

The related party transactions in respect of items (i), (ii) and (iii) above also constitute connected transactions and/or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

28. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the years ended 31 March 2018 and 2017 are as follows:

	2018 HK$'000	2017 HK$'000
Short-term employee benefits	**22,810**	21,609
Post-employment benefits	**102**	108
	22,912	21,717

29. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2017, dividend amounting to HK$128,000,000 declared by the Company, of which approximately HK$12,800,000 was settled by cash and the remaining balance of approximately HK$115,200,000 was set off against the outstanding balances of the amount due from a director and amounts due from/to related parties.

30. 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 net debt, which includes borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis by considering the cost of capital and the risks associated with the capital. In view of this, the Group manages its overall capital structure through the payment of dividends and the issue of new shares.

30. CAPITAL RISK MANAGEMENT (Continued)

The net debt to equity ratio at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
Debts (Note (i))	**49,374**	20,746
Less: Cash and cash equivalents (Note (ii))	**(57,066)**	(116,718)
Net debt	**(7,692)**	(95,972)
Equity (Note (iii))	**223,468**	167,408
Net debt-to-equity ratio	**N/A**	N/A

Notes:

(i) Debts represent borrowings as detailed in Note 21.

(ii) Cash and cash equivalents as detailed in Note 19.

(iii) Equity includes all capital and reserves attributable to owners of the Company.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	**200,546**	251,936
Financial liabilities		
Financial liabilities at amortised cost	**140,567**	120,363

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposits and prepayments for life insurance policy, financial assets included in trade and other receivables, bank balances and cash, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

31. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Foreign currency risk management

The majority of the Group's transactions and balances for the years ended 31 March 2018 and 2017 were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In virtue of the exposure on foreign currency risk being minimal, the respective quantitative disclosures have not been prepared.

(ii) Interest rate risk management

The Group's exposure to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 21 for details of the borrowings). In relation to the variable-rate borrowings, the Group aims at keeping certain proportion of its borrowings at fixed rates. The Group continuously evaluates its debt portfolio to achieve a desired proportion of variable and fixed rate debt based on its review of interest rate movement.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates arising from the Group's bank borrowings.

The directors of the Company consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period and the interest rates of bank deposits are not expected to change significantly.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for interest bearing bank borrowings 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 points increase and decrease are used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rate on borrowings had been 100 basis points higher and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2018 and 2017 would decrease by approximately HK$143,000 and HK$152,000 respectively as a result of the Group's exposure to interest rates on its variable-rate bank borrowings. If interest rate had been 100 basis points lower and all other variables were held constant, there would be an equal and opposite impact on the post-tax profit.

In the opinion of directors of the Company, the sensitivity analysis is unrepresentative of inherent interest rate risk as the year ended exposure does not reflect the exposure during the year.

31. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Price risk

As the Group has no significant investments in financial assets at fair value through profit or loss or available-for-sale financial assets, the Group is not exposed to significant equity price risk.

In virtue of the exposure on equity price risk being minimal, the respective quantitative disclosures have not been prepared.

Credit risk management

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

At the end of the reporting period, the Group had certain concentration of credit risk as 66% and 21% in the Group's trade receivables and retention receivables respectively were due from the Group's largest single customer.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

31. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

	Weighted average effective interest rate	On demand or within one year HK$'000	One to five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
As at 31 March 2018					
Non-derivative financial liabilities					
Trade and other payables	**–**	**91,193**	**–**	**91,193**	**91,193**
Borrowings	**3.9%**	**49,374**	**–**	**49,374**	**49,374**
		140,567	**–**	**140,567**	**140,567**
As at 31 March 2017					
Non-derivative financial liabilities					
Trade and other payables	–	99,617	–	99,617	99,617
Borrowings	4.7%	20,746	–	20,746	20,746
		120,363	–	120,363	120,363

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's bank loans based on the scheduled repayment dates set out in the loan agreements as set out in the table below:

	Weighted average effective interest rate	Within one year HK$'000	One to five years HK$'000	Over five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Bank loans – secured						
As at 31 March 2018	**3.9%**	**33,875**	**4,698**	**16,737**	**55,310**	**49,374**
As at 31 March 2017	4.7%	15,427	4,299	2,121	21,847	20,746

(c) Fair value measurements of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details the changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. 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.

	Bank loans HK$'000 (Note 21)	Total HK$'000
At 1 April 2017	20,746	20,746
Proceeds from borrowings	**71,610**	**71,610**
Repayment of borrowings	**(42,982)**	**(42,982)**
At 31 March 2018	**49,374**	**49,374**

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 March 2018 are set out as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
MT Construction Limited	British Virgin Islands (the "BVI")	US$1	100% (direct)	Investment holding
MT Engineering Limited	BVI	US$1	100% (direct)	Investment holding
MT Technology Limited	BVI	US$1	100% (direct)	Investment holding
MT Sunshine Limited	BVI	US$1	100% (direct)	Dormant
Lucky Profit Enterprises Limited	BVI	US$100	100% (direct)	Investment holding
Ming Tai Construction	Hong Kong	HK$1,000,000	100% (indirect)	Provision of formwork erection and related ancillary services
Ming Tai Civil	Hong Kong	HK$10,000	100% (indirect)	Provision of formwork erection and related ancillary services
Genuine Treasure Construction Technology Company Limited	Hong Kong	HK$10,000	100% (indirect)	Development of construction technology and related consultancy services

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's subsidiaries as at 31 March 2018 are set out as follows: (Continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
Harvest Full Properties Limited	Hong Kong	HK$100	100% (indirect)	Properties holding and investment
Rich Tone Capital Resources Limited	Hong Kong	HK$100	100% (indirect)	Investment holding
Win Tai Billion Limited	Hong Kong	HK$100	100% (indirect)	Building construction
Apex Union Development Limited	Hong Kong	HK$100	100% (indirect)	Dormant
Champion Time Engineering Limited	Hong Kong	HK$100	100% (indirect)	Dormant
Ming Tai Iron Works Engineering Co., Limited	Hong Kong	HK$100	100% (indirect)	Dormant

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Investments in subsidiaries	**62,585**	62,584
Current assets		
Prepayments	**217**	228
Amounts due from subsidiaries	**83,139**	31,314
Bank balances and cash	**18,692**	72,459
	102,048	104,001
Total assets	**164,633**	166,585
Current liabilities		
Other payables and accruals	**1,125**	596
Net current assets	**100,923**	103,405
Net assets	**163,508**	165,989
Capital and reserves		
Share capital	**12,000**	12,000
Reserves	**151,508**	153,989
Total equity	**163,508**	165,989

Mr. Wang Kei Ming
Director

Mr. Wang Yu Hin
Director

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

MOVEMENT IN THE COMPANY'S RESERVES

	Share premium HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 12 April 2016 (date of incorporation)	–	–	–	–
Profit and total comprehensive income for the year	–	–	52,431	52,431
Dividend recognised as distribution	–	–	(128,000)	(128,000)
Reorganisation	–	129,214	–	129,214
Capitalisation issue	(9,840)	–	–	(9,840)
Issue of shares under share offer	118,800	–	–	118,800
Transaction costs attributable to issue of shares	(8,616)	–	–	(8,616)
Balance at 31 March 2017 and 1 April 2017	100,344	129,214	(75,569)	153,989
Loss and total comprehensive expense for the year	**–**	**–**	**(2,481)**	**(2,481)**
Balance at 31 March 2018	**100,344**	**129,214**	**(78,050)**	**151,508**

Special reserve

Special reserve represents the difference between the nominal value of shares issued by the Company pursuant to the Reorganisation and the aggregate net asset value of the subsidiaries acquired.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 March				
	2018 **HK$'000**	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Revenue	**673,275**	603,839	481,943	287,660	318,287
Direct costs	**(563,636)**	(487,301)	(389,711)	(231,644)	(257,586)
Gross profit	**109,639**	116,538	92,232	56,016	60,701
Profit before tax	**67,977**	78,380	61,998	40,087	47,119
Income tax expense	**(11,917)**	(14,597)	(12,207)	(5,817)	(7,953)
Profit and total comprehensive income for the year attributable to owners of the Company	**56,060**	63,783	49,791	34,270	39,166

ASSETS AND LIABILITIES

	As at 31 March				
	2018 **HK$'000**	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Total assets	**376,383**	309,432	260,489	162,834	135,434
Total liabilities	**(152,915)**	(142,024)	(141,208)	(90,404)	(97,274)
	223,468	167,408	119,281	72,430	38,160
Equity attributable to owners of the Company	**223,468**	167,408	119,281	72,430	38,160