

ANNUAL REPORT 2017-2018

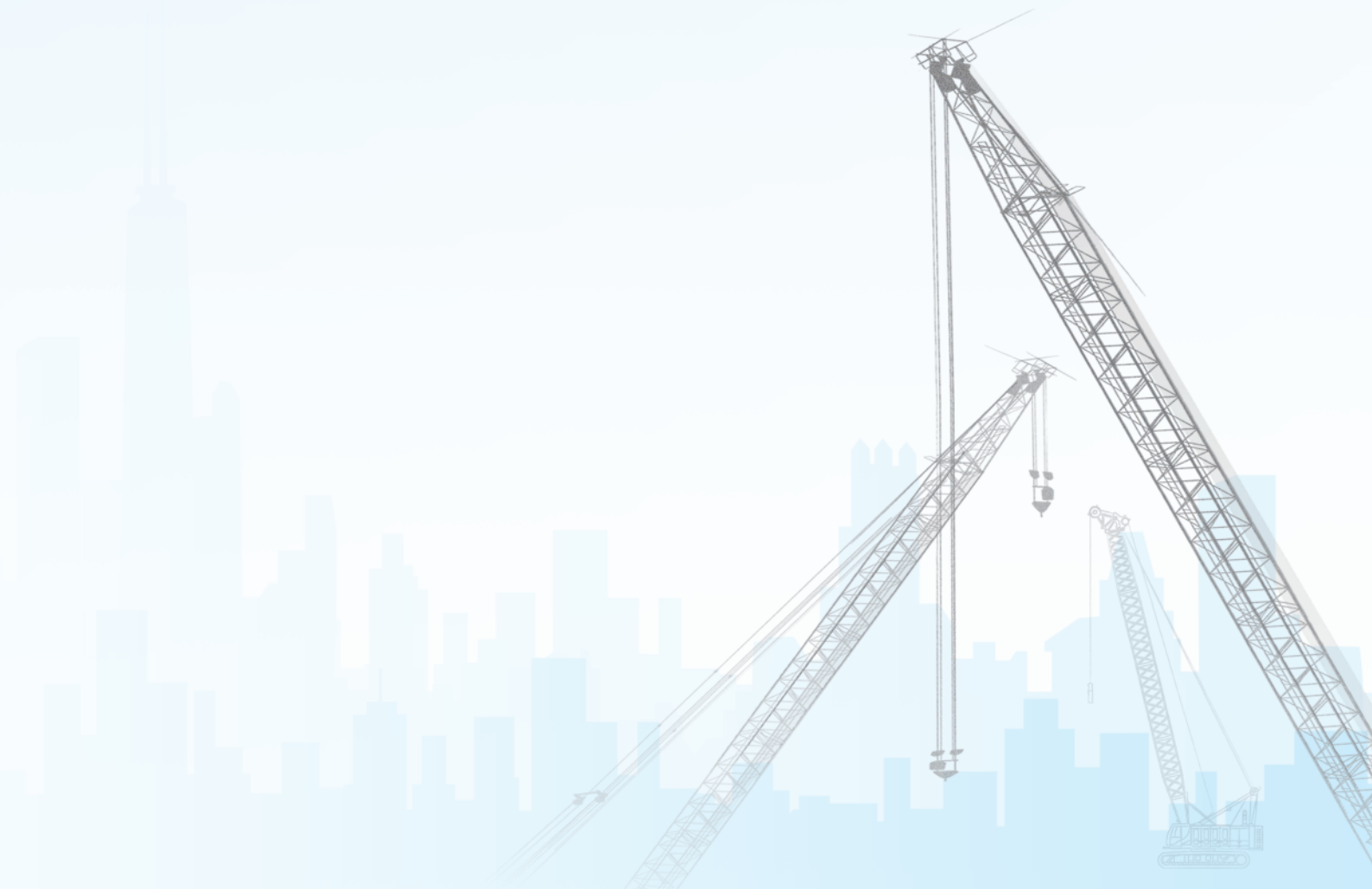


VICON

VICON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 3878



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chow Kwok Chun (*Chairman*)
Mr. Tsang Hing Kuen (*Chief Executive Officer*)
Mr. Leung Kim Lim
Mr. Liu Jin Fai

Independent Non-executive Directors

Mr. Ip Ka Ki
Professor Kuang Jun Shang
Mr. Law Wang Chak Waltery

BOARD COMMITTEES

Audit Committee

Mr. Law Wang Chak Waltery (*Chairman*)
Mr. Ip Ka Ki
Professor Kuang Jun Shang

Nomination Committee

Mr. Chow Kwok Chun (*Chairman*)
Mr. Ip Ka Ki
Mr. Law Wang Chak Waltery

Remuneration Committee

Mr. Ip Ka Ki (*Chairman*)
Mr. Chow Kwok Chun
Professor Kuang Jun Shang

COMPANY SECRETARY

Mr. Leung Cheuk Hei

AUTHORISED REPRESENTATIVES

Mr. Chow Kwok Chun
Mr. Leung Cheuk Hei

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31st Floor, Kings Tower
111 King Lam Street
Cheung Sha Wan
Kowloon
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

COMPLIANCE ADVISER

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Room 2002, 20/F
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178 Gloucester Road
Wanchai, Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

Sidley Austin
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Central
Hong Kong

PRINCIPAL BANKS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F
Prince's Building
Central
Hong Kong

COMPANY'S WEBSITE

www.vicon.com.hk

STOCK CODE

3878

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Vicon Holdings Limited (the "Company"), I am pleased to present the first annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018 (the "Year" or "FY2018").

The shares of the Company were successfully listed (the "Listing") on the Main Board of the Stock Exchange of Hong Kong (the "Stock Exchange") on 22 December 2017 (the "Listing Date") by way of share offer (the "Share Offer"). The net proceeds of the Share Offer received by the Company was approximately HK\$82.7 million, after deducting the underwriting fees and other related listing expenses borne by the Group. The Listing was a meaningful and significant milestone for the Group. With the net proceeds raised and the improved corporate image, we are able to explore further business opportunities in the foundation construction industry. On behalf of the Group, I would like to express our deepest gratitude towards our business partners and staff who helped to build up our business in the past years, and all parties involved in the process of the Listing.

The Group is a Hong Kong-based specialist foundation contractor and focuses on design-and-build foundation projects in Hong Kong private sector. Our foundation projects involve different types of construction works, such as piling construction, ELS works and pile cap construction on Hong Kong and Macau.

During the Year, the Group recorded an increase in revenue by approximately HK\$117.8 million, or 44.7%, from approximately HK\$263.5 million for the year ended 31 March 2017 ("Last Year" or "FY2017") to approximately HK\$381.3 million for the Year. The Group recorded a profit for Year of approximately HK\$18.2 million. Excluding the one-off listing expenses of approximately HK\$12.3 million being charged to the profit or loss, the net profit for the Year of the Group would be approximately HK\$30.5 million, representing a decrease of approximately HK\$2.7 million from Last Year.

In the coming year, we believe the construction market in Hong Kong will remain under pressure due to the political environments. Our business has been primarily focusing in the Hong Kong private sector. However, wanton filibustering in the legislative council has led to prolonged delay on granting funds for new public works in the last few years, which has driven more and more public sector contractors to tender work in the private sector in order to avoid idling of their resources. As a result, the private sector market has become highly competitive and under fierce competition.

When faced with cut-throat competition among contractors in tendering for new projects which have been widely commented in the media and among peers, we are mindful of not to reduce our profit margin without considering the negative impact to our shareholders' interests. Nevertheless, we remain confident and are well-positioned in the market as our operation model of contracting works allows us flexibility to remain resilient to adverse impact.

Looking ahead, we remain positive about the prospects of the Hong Kong construction market, with the Government's continued commitment to infrastructure investments and housing policy by various short, medium and long term land supply initiatives. We will continue to focus on "design and build" projects and maintaining strong financial position to meet the requirements of future potential projects ahead. Our management team is convinced that we will continue to build value over the medium to long term for our shareholders.

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our customers, subcontractors, suppliers, other business partners and our shareholders for their continuous support. I would like to also thank the management team and my fellow staff members for their contribution during the Year.

Chow Kwok Chun
Chairman

Hong Kong, 27 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is a Hong Kong-based specialist foundation contractor and focuses on design-and-build foundation projects in Hong Kong private sector. Our foundation projects involve different types of construction works, such as piling construction, ELS works and pile cap construction in Hong Kong and Macau.

For FY2018, the Group recorded revenue of approximately HK\$381.3 million as compared to revenue of HK\$263.5 million for FY2017. The Directors are of the view that the increase in revenue was primarily due to the increase in number of construction projects and increase in the scale of the construction projects undertaken by the Group. During FY2018, there are 19 projects (2017: 18 projects) contributing revenue to the Group. The revenue contributed from projects which we were acting as main contractor has increased from 11% in FY2017 to 32% in FY2018.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group's control. The Directors believe the more significant risks relating to the business are as follows:

- Our business is project-based and the contracts are not recurrent in nature and were awarded by few customers, and any decrease in the number of projects with the Group's major customers would adversely affect the Group's business, financial conditions and operating results;
- As the Group engages third party subcontractors to perform certain parts of the works under our contracts, the Group may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of the Group's subcontractors; and
- The Group determines the tender price based on the estimated time and costs to be involved in a project pursuant to our industry experience and with reference to a number of factors and the actual time and costs incurred may deviate from our estimate due to unexpected circumstances.

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in the prospectus of the Company dated 12 December 2017 (the "Prospectus").

Revenue

Our revenue increased by approximately HK\$117.8 million, or 44.7%, from approximately HK\$263.5 million for FY2017 to approximately HK\$381.3 million for FY2018, which was mainly due to the increase in number of projects in progress which contributed revenue and the increase in average contract size during FY2018, as compared with FY2017.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately HK\$1.8 million, or 3.7% from approximately HK\$48.4 million for FY2017 to approximately HK\$50.2 million for FY2018. Our gross profit margin decreased by approximately 5.2%, from approximately 18.4% for FY2017 to approximately 13.2% for FY2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease in gross profit margin was mainly attributable to the increase in the revenue contributed by the foundation projects undertaken by us as main contractor, in which the gross profit margins are relatively lower.

Other Administrative Expenses

Our administrative expenses increased by approximately HK\$2.5 million, or approximately 32.9%, from approximately HK\$7.6 million for FY2017 to approximately HK\$10.1 million for FY2018. The increase was mainly attributable to (i) the increase in auditor's remuneration following the Listing; and (ii) the increase in professional fees for purpose of general advisory, compliance, investor relations and corporate communication matters.

Finance Costs, net

Our finance costs, net increased by approximately HK\$2.0 million, or 90.9%, from approximately HK\$2.2 million for FY2017 to approximately HK\$4.2 million for FY2018. Such increase is mainly due to the increase in the balance of borrowings to finance the increased scale of business operation.

Professional Fees Incurred for Initial Public Offering

The listing expenses increased by approximately HK\$9.3 million, or approximately 3.1 times, from approximately HK\$3.0 million for FY2017 to approximately HK\$12.3 million for FY2018. The increase was mainly due to the Group's successful Listing, while the majority of the work of professional parties for the Share Offer was performed in FY2018.

Income Tax Expense

Our income tax expense decreased by approximately HK\$0.7 million, from approximately HK\$6.5 million for FY2017 to approximately HK\$5.8 million for FY2018 due to the combined effect of the above factors. The effective tax rate for FY2018 was approximately 24.3%, which was higher compared to that of 17.7% for FY2017. The increase in effective tax rate for FY2018 was mainly due to the inclusion of HK\$12.3 million listing expenses (2017: HK\$3.0 million) which is non-deductible for tax purposes. Excluding these one-off expenses from the profit before income tax, our effective tax rate for FY2018 would have been 16.0% (2017: 16.3%).

Profit and Total Comprehensive Income Attributable to Equity Holders of the Company

Based on the above factors, profit and total comprehensive income attributable to equity holders of the Company decreased by approximately HK\$12.0 million, or approximately 39.7%, from approximately HK\$30.2 million for FY2017 to approximately HK\$18.2 million for FY2018.

Excluding the one-off listing expenses of approximately HK\$12.3 million being charged to the consolidated statement of comprehensive income (2017: HK\$3.0 million), profit and total comprehensive income attributable to equity owners of the Company would have been approximately HK\$30.5 million, which represented a decrease of approximately HK\$2.7 million from approximately HK\$33.2 million for FY2017.

Liquidity, Financial Resources and Capital Structure

The Group has funded the liquidity and capital requirements primarily through retained profits, borrowings and cash inflows from operating activities.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 March 2018, the capital structure of the Group consisted of equity of approximately HK\$259.7 million (2017: HK\$132.7 million), bank borrowings of approximately HK\$74.7 million (2017: HK\$8.2 million) and finance lease liabilities of approximately HK\$15.2 million (2017: HK\$50.3 million). For details, please refer to the paragraph headed “Bank borrowings” below.

Cash Position and Fund Available

During the Year, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows, bank borrowings, and proceeds from the Share Offer.

As at 31 March 2018, our cash and cash equivalents were approximately HK\$100.5 million (2017: HK\$34.4 million). The Group also had restricted bank balances of approximately HK\$1.7 million (2017: HK\$16.8 million) deposited for a bank to issue surety bonds in respect of our foundation projects.

As at 31 March 2018, the current ratio of the Group was approximately 2.1 times (2017: 1.3 times).

Bank Borrowings

The Group generally meets its working capital requirement by cash flows generated from its operation and borrowings. The maturity and interest rate profile of the Group’s borrowings are set out below.

- (a) Based on the scheduled repayment terms set out in the loan agreements and ignoring the effect of any repayment on demand clause, the maturity of bank borrowings would be as follows:

	2018 HK\$'000	2017 HK\$'000
Within 1 year	66,191	8,190
Between 1 and 2 years	2,656	—
Between 2 and 5 years	5,877	—
	74,724	8,190

- (b) The present value of finance lease liabilities is as follows:

	2018 HK\$'000	2017 HK\$'000
No later than 1 year	8,328	21,142
Later than 1 year and no later than 5 years	6,832	29,181
	15,160	50,323

MANAGEMENT DISCUSSION AND ANALYSIS

(c) The weighted average interest rates were as follows:

	2018	2017
Long-term bank loans	4.67%	—
Short-term bank loans	1.12%	2.09%
Finance lease liabilities	4.55%	5.53%

Gearing Ratio

As at 31 March 2018, the Group's gearing ratio was approximately 34.6% (2017: 44.1%), calculated as the borrowings divided by the total equity as at the end of the respective years and multiplied by 100%.

Net Current Assets

As at 31 March 2018, the Group had net current assets of approximately HK\$163.0 million (2017: HK\$35.9 million). The increase in net current assets position was mainly attributable to the strengthening of the capital due to the Listing, and the net profit generated from the Group's operations during the year.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from the banks to meet its liquidity requirements. The Board is not aware of any liquidity issue that may cast significant doubt on the Group's ability to continue as a going concern.

Capital Expenditures

The Group's capital expenditures for the year amounted to approximately HK\$2.2 million (2017: HK\$62.8 million), which was incurred due of the purchase of machinery and equipment.

Foreign Exchange Risk

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the year ended 31 March 2018. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging when necessary.

Use of Net Proceeds from Listing

Based on the Offer Price of HK\$1.20 per share, the net proceeds of the Share Offer received by the Company was approximately HK\$82.7 million, after deducting the listing expenses borne by the Company. The proposed application of net proceeds as stated in the Prospectus has been allocated according to the principles and proposed percentage of utilisation as specified in the section headed "Reasons for the listing, future plans and use of proceeds from the Share Offer" of the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period from the Listing Date to 31 March 2018, the net proceeds were used as follows:

	Net Proceeds from Share Offer HK\$'million	Utilisation in FY 2018 HK\$'million	Unutilised amount HK\$'million
Take out of surety bond	34.0	—	34.0
Purchase of machinery (Note)	17.4	—	17.4
Repayment of bank loan	14.0	14.0	—
Strengthen of design team	8.5	—	8.5
Purchase of software	0.5	—	0.5
General working capital	8.3	2.0	6.3
	82.7	16.0	66.7

Note: As at 31 March 2018, the Group was in progress of negotiation with the relevant suppliers for the purchase of the relevant machinery. Up to the date of this annual report, the Group utilised HK\$12.4 million of the total net proceeds to purchase the relevant machinery.

The Group held the unutilised net proceeds mainly in short-term deposits with licensed banks in Hong Kong.

Contingent Liabilities

As at 31 March 2018, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to HK\$1.7 million (2017: HK\$16.8 million). The performance bonds as at 31 March 2018 were expected to be released in accordance with the terms of the respective construction contracts.

Pledge of Assets

As at 31 March 2018, banking facilities granted to the Group in respect of the specific projects, with an aggregate amount of HK\$49.3 million were guaranteed by (i) the Company; and (ii) charge over the Group's trade receivables with an aggregate amount of approximately HK\$8.0 million, of which HK\$0.8 million had not been utilised. These banking facilities can only be used for project-specific financing which will be terminated upon the completion of the foundation projects specified in the relevant facility letters.

As at 31 March 2018, the finance lease liabilities amounting to HK\$15.2 million (2017: HK\$50.3 million) from two banks are guaranteed by the Company and pledged by the Group's machinery and equipment with carrying amount of HK\$67.2 million (2017: HK\$88.2 million).

As at 31 March 2018, machinery and equipment with carrying amount of HK\$20.1 million (2017: nil) were pledged for the Group's bank borrowings.

Capital Commitments

As at 31 March 2018, the Group did not have any capital commitments contracted but not provided for.

Segment Information

The Group principally operated in one business segment, which is the foundation subcontractors in the foundation and site formation industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees, Training and Remuneration Policy

As at 31 March 2018, the Group had a total of 84 employees (2017: 75). Total staff costs (including Directors' emoluments and mandatory provident funds contributions) for the year were approximately HK\$45.2 million (2017: HK\$40.1 million). The remuneration offered to employees generally includes salaries, medical benefits and bonus. In general, the Group determines salaries of its employees based on each employee's qualification, position and seniority. The Company adopted a share option scheme under which the Board may grant options to the employees. The Group provides training to its employees according to the work requirements.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Save as the Reorganisation of the Group as described in the section "History, Development and Reorganisation" in the Prospectus, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during FY2018.

Significant Investment held

The Group did not have any significant investment held as at 31 March 2018.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Prospectus, the Group did not have other plans for material investments or capital assets as at 31 March 2018.

Future Prospects

The successful listing of the shares of the Company marked a meaningful and significant milestone in the history of the Group. With the net proceeds raised and the improved corporate image, we are able to explore further business opportunities in the foundation industry. Despite the keen competition in Hong Kong construction industry, the Board is confident with the Group's future development due to its well established reputation and proven ability.

Events After The Reporting Period

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2018 and up to the date of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Vicon Holdings Limited (the “Company”), together with its subsidiaries (the “Group”), is pleased to present our first Environmental, Social and Governance Report (the “Report”) to provide an overview of the Group’s management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects.

Preparation Basis and Scope

This Report is prepared in accordance with “Environmental, Social and Governance Reporting Guide” in Appendix 27 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and has complied with “comply or explain” provision in the Listing Rules.

This Report details the environmental, social and governance performance of the Group and demonstrates our sustainability initiatives during the reporting period from 1 April 2017 to 31 March 2018.

With the aim to improve the disclosure requirements in the Report, the Group has committed to formulate policies, record relevant data as well as implement and monitor measures. Should there be any discrepancy between the Chinese and the English versions of this Report, the English version shall prevail.

Confirmation and Approval

Information disclosed in this Report is sourced from the internal documents and statistical data of the Group. This Report has been confirmed and approved by the board (the “Board”) of directors of the Company in June 2018.

Contact Information

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by info@vicon.hk.

CORPORATE PROFILE

The Group is a Hong Kong-based specialist foundation contributor and focuses on design-and-build foundation projects in Hong Kong private sector. With strong experience in completing complicated foundation and engineering designs projects, we strive to provide the highest quality services to our customers. Under the leadership of the management, the Group has been successfully listed on the Main Board of the Stock Exchange on 22 December 2017.

To maintain competitiveness in the market and provide outstanding services to the customers, the Group places significant focus on the long-term sustainability. We are determined to comply with relevant regulations and rules as well as requirements from our stakeholders. Various policies and procedures are established to assist the management on monitoring the operation risks regarding to the environment and society.

As at 31 March 2018, there were 4 subsidiaries directly or indirectly wholly owned by the Company. Our major business operation are carried through the below 3 subsidiaries.

1. Vicon Construction Company Limited
2. Vicon Machinery Company Limited
3. Vicon Construction (Macau) Company Limited

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

To prepare for further development and business growth, the Group recognises the importance of intelligence gained from the stakeholders' insights, inquiries and continuous feedback on the Group's business activities. We maintain various channels with our stakeholders on relevant issues including the performances and challenges that we come across. The outcomes of these stakeholder engagement processes have been consistently applying to our continuous improvement activities.

Major Stakeholders	Issue of concerns	Engagement channels
Government	<ul style="list-style-type: none"> — Compliance with the laws and regulations — Promote regional economic development and employment 	<ul style="list-style-type: none"> — Work reports preparation and submission for approval — Annual reports — Website
Shareholders and Investors	<ul style="list-style-type: none"> — Business performance — Corporate governance — Protection of interests of shareholders 	<ul style="list-style-type: none"> — Annual general meeting and other shareholder meetings — Annual reports and announcements
Employees	<ul style="list-style-type: none"> — Health and safety — Labour rights — Comfortableness of the working environment — Career development path 	<ul style="list-style-type: none"> — Trainings and orientation — Internal meetings and email communication — Corporate activities
Customers	<ul style="list-style-type: none"> — Quality of the services — Project management — Business ethics 	<ul style="list-style-type: none"> — Business visits — Email communication and customer service hotline — Regular meetings
Public and communities	<ul style="list-style-type: none"> — Social responsibilities — Environmental awareness — Contribution to the communities 	<ul style="list-style-type: none"> — Charity activities — Volunteer works

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL ASPECTS

As a registered specialist contractor, we recognise that we have an obligation to reduce the impact of our operations on the environment and be accountable for the resources and materials that we used in our daily foundation operations. We would place strong effort on protecting the environment by promoting the importance of the environmental protection to our employees, adopting the latest rules and standards relating to the environment and community, using environmental friendly products as well as encouraging the recycle and reuse of materials. Though continuously improving the environmental sustainability of our business, we believe there would be promising development and growth in the long run.

EMISSIONS

The Group is subject to various local environmental laws and regulations related to the operations. During the reporting period, the Group had no material non-compliance regarding environmental issues.

Air Pollutant Emission

Air pollutant such as nitrogen oxides (“NOx”), sulphur oxides (“SOx”) and respiratory suspended particles (“RSP”, also known as Particulate Matters (“PM”)) bring significant impact to our environment and thus the health of our staff. To mitigate the impact, the Group has taken initiatives to formulate plans for the reduction of air pollutants.

Our air pollutants are mainly generated from the motor vehicles through consumption of fuels. We carry out regular quarterly or yearly vehicle maintenance, including replacement of any wear components and generator cleaning. Vehicle usage is reduced by proper route planning and encouragement of using public transport.

The air pollutant emission during the reporting period is as follows:

Air Pollutants	Unit	Total
Nitrogen oxides (NOx)	kg	8.39
Sulfur dioxide (SO2)	kg	4.48
Particular matter (PM)	kg	0.62

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Greenhouse Gas (“GHG”) Emission

Global warming is a serious environmental issue that our world is facing. The major sources of air and greenhouse gas (GHG) emissions we associated are energy consumptions, including the purchased electricity used in our daily operations and the fuels consumed by the motor vehicles and machinery. Our Group is taking different measures to minimise the GHG emissions. We have adopted energy saving initiatives that are mentioned in the section headed “Use of Resources” below. During the reporting period, the emission of greenhouse gas is as follows:

GHG Emission¹	Unit	Total
Scope 1 ²	tonnes of CO ₂ -e	732.33
Scope 2 ³	tonnes of CO ₂ -e	139.86
Total	tonnes of CO ₂ -e	872.19
Intensity	tonnes of CO ₂ -e/employee	10.38

Hazardous and Non-hazardous Wastes

No hazardous wastes were produced during our operating process. In case any hazardous wastes is produced, we would have the wastes properly handled by the qualified contractor.

Non-hazardous wastes generated from the Group mainly includes paper. We adopt several environmental friendly practices, which include:

- Encouraging double-side printing and photocopying; and
- Promoting the usage of e-documents for internal and external communication.

The amount of non-hazardous wastes produced from the Group is not significant. The Group has also put effort in recycling/reusing the waste papers. The amount of the waste recycled during the reporting period is as follows:

Waste recycled/reused	Unit	Total
Paper	kg	109

1 The calculation of the greenhouse gas emission is based on the “Corporate Accounting and Reporting Standard” from greenhouse gas protocol.

2 Scope 1: Direct emission from sources that are owned or controlled by the Group.

3 Scope 2: Indirect emissions from purchased electricity consumed by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

USE OF RESOURCES

The Group places high priority on the efficient use of resources. We have adopted a set of guidelines to improve the efficient use of energy and water.

Energy

The Group aims to promote resource saving and implement suitable energy saving measures in order to improve the energy saving performance and reduce resource consumption as much as possible. For example, we would proactively switch off any unnecessary electric appliances, and make use of light-emitting diode (“LED”) bulb which gives higher efficiency. During the reporting period, the energy consumptions are as follows:

Energy	Unit	Total
Purchased electricity	kWh in '000s	202.76
Fuel	kWh in '000s	2,781.49
Total energy consumption	kWh in '000s	2,984.25
Intensity	kWh in '000s/employee	35.53

Water

Another resource that we have used for the daily operation is water. Though the amount of water that we use or discharge is not significant due to our business nature, for saving the use of water, the Group also promotes water saving practices among our staff. For example, we encourage our staff not to keep running water taps while cleaning any stuffs in pantry. The water consumption during the reporting period is as follow:

Water	Unit	Total
Water consumption	m ³	6,051
Intensity	m ³ /employee	72.04

Packaging Material

As the Group's business is service focused, there were no significant amounts of packaging material used for finished products during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE ENVIRONMENT AND NATURAL RESOURCES

As a registered specialist contractor, we recognise our impact on the environment in our daily project operations. To minimise the significant impact on the environment and natural resources, we are committed to carry out necessary measures mentioned in sections headed “Emission” and “Use of Resource” in energy saving, emissions reduction and environmental protection. The Group would also promote environmental awareness amongst the customers, subcontractors suppliers, business partners and other stakeholders aiming to mitigate the waste of resources as a whole.

SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

EMPLOYMENT

The Group values our employees as an important and valuable asset; and competent employees is the foundation for the long term business success of the Group. We have carried out different policies to stipulate key human resources management practices in working hours, equal opportunities, recruitment, promotion, resignation and compensation benefits. The Group’s recruitment and promotion policies have to be followed with the principle of equal opportunities. All employees are hired based on the merits and treated equally, regardless of their nationality, age, race, gender, religion and marital status, etc.

A tour of workplace and a formal introduction is provided to all the newly joined employees, aiming at sharing with them a better understanding of the Group. An employee handbook would also be provided to each of our employee for their understanding on the relevant policies and code of conduct of our Group.

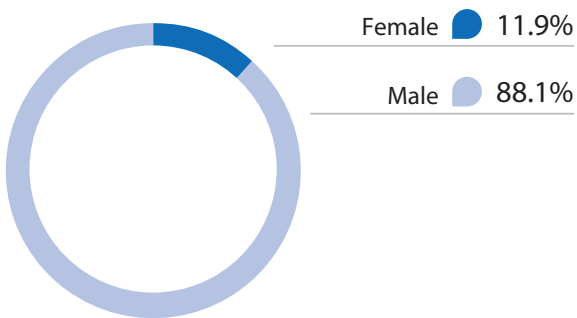
The Group supports harmonious and work-life balance culture. Through organising annual dinner and employee gatherings during the reporting period, not only can the employees enjoy a relaxing moment, but also enhance their team spirit building and promote friendly working environment.

The adoption of these human resources policies and procedures also ensures the Group’s compliance with the relevant labour laws and regulations where it operates, including Employment Ordinance in Hong Kong. During the reporting period, we did not record material non-compliance incident related to applicable employment laws and regulations.

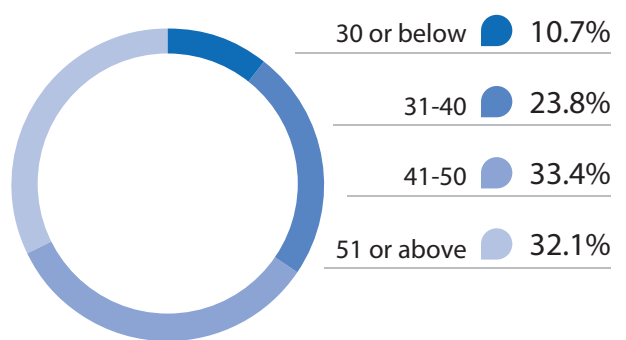
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

At the end of the reporting period, the employee composition (in percentage of total staff) by gender, employee category and age group are as follows:

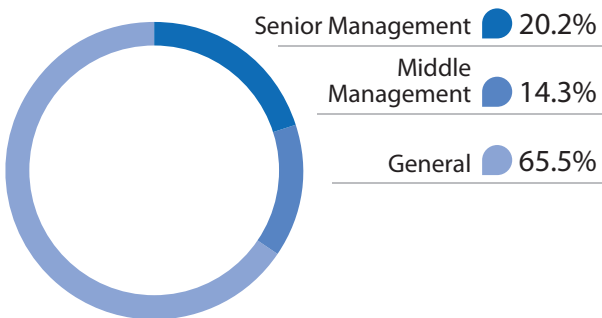
By Gender



By Age Group



By Employment Category



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The employee turnover rates by gender and age group at the end of the reporting period are as follows:

Employment	Turnover rates (%)
By gender⁴	
– Male	21.95
– Female	50.00
By age group⁵	
– 30 years old or below	66.67
– 31-40 years old	22.73
– 41-50 years old	10.35
– 51 years old or above	24.14
Overall	25.00

HEALTH AND SAFETY

The Group is committed to providing a healthy and safe workplace for all its employees. We take work safety seriously in all of our projects and have established measures to promote work safety and to ensure compliance with applicable laws and regulations. During the reporting period, no concluded cases regarding health and safety brought against the Company or its employees were noted.

Our employees are provided with work safety trainings, including the safety operation of construction machinery and equipment to emphasise the importance of the awareness of work safety. Through different on-the-job training, we would also encourage all our employees to get a better understanding with the applicable laws such as the Occupational Safety and Health Ordinance, policies and the necessary procedures to be followed in order to prevent occupational hazard.

We have established a series of safety guidelines, rules and procedures for different aspects throughout our operating process, including fire safety, electricity safety, work-related injuries and emergency and evacuation procedures. Key safety precautions and measures are implemented as follows:

- Regular checks with any necessary maintenance are carried out for all the electrical appliances and machines; and
- Protective equipment is provided to workers according to their positions and job nature.

4 Turnover rate by gender refers to total number of employee turnover of the gender group per the total number of employees of the corresponding gender group at the end of the year.

5 Turnover rate by age group refers to total number of employee turnover of the age group per the total number of employees of the corresponding age group at the end of the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

DEVELOPMENT AND TRAINING

The Group recognises the importance of providing our staff the opportunity to continuously improve the professional skill set and hence the quality of our services. The Group encourage the senior management and department heads to carry out proactive coaching and provide detail guidance to the subordinates in order to meet their current and future business needs.

All of our new staff are provided with detail orientation from which our staff would get an understanding of the job responsibilities, work safety as well as the corporate culture and policies. To ensure the staff bears with certain technical skills, on-the-job coaching would be provided to staff at different position. The Group also promotes lifelong learning among its staff and encourages staff to attend different external seminars or trainings such as first aid training course and safety supervisor training course.

LABOUR STANDARDS

The Group prohibits the employment of child labour and forced labour. We strictly comply with the relevant laws and regulations including Employment Ordinance in Hong Kong. We have established transparent labour policies and dynamic reporting channels to ensure a fair labour practice is adopted. During the reporting period, the Group did not find any cases related to child labour or forced labour.

OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

The Group relies on subcontractors and suppliers to provide different construction machinery and materials. We are fully aware of the potential environmental and social risks associated with our supply chain and are committed to reducing such risks in the collaboration with our subcontractors and suppliers. Before and during the engagement with our subcontractors and suppliers, we would carry out regular assessment on the supplier's corporate conditions, reputation, credibility as well as the quality of the services provided. The Group maintains a long-term strategic relationship with our subcontractors and suppliers based on the results from the assessment.

SERVICES RESPONSIBILITY

We place the quality of our services as the utmost important focus in our operation. The Group is in strict compliance with related laws and regulations, aiming to provide a high-quality standard of services to our customers. During the reporting period, the Group did not discover any significant risk exposure in relation to our services.

We have maintained a quality management system which follows the ISO 9001:2008 standards in order to execute the quality control policy of our Group. Our quality management system is part of our project quality plans which specify the steps to be carried out and complied with throughout the execution of our foundation projects from the pre-construction stage to maintenance stage. To ensure that our works meet the required standard, we normally assign one foreman on a full time basis at each of the construction sites to monitor the quality of foundation works done by our own staff and, as the case may be, our sub-contractors. Our project managers visit the construction sites from time to time and monitor the work quality, the progress of construction work and ensure that the works are duly completed according to the implementation schedules.

During the year, no complaints related to the quality of services were received by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Intellectual Property Protection

Our Group protects intellectual property rights and regards it as an area of substantial importance. We would take active steps to protect our trademarks and other intellectual property rights by completing necessary filing and registration. For any new trademark to be licensed, the Group shall take all appropriate action to register and protect trademarks in the jurisdictions in which our operations are carried out.

Customer Information Protection

The Group respects customer data privacy and is committed to preventing customer data leakage or loss. The Group has taken proper measures to safeguard data integrity by restricting the access of confidential customer data. All collected customer personal data and property are only accessible by authorised personnel and handled with care. During the reporting period, there were no complaints received concerning breaches of customer privacy and loss of data.

ANTI-CORRUPTION

The Group is committed and determined to maintain a culture of honesty and opposition to fraud and corruption, with zero tolerance towards any kind of bribery and money-laundering activities.

The Group implements related policies and procedures including an anti-fraud framework and whistle-blower program. These policies and procedures outline the principles to which we are committed to preventing, reporting and managing fraud, corruption and bribery. We have communicated with our employees on these policies and procedures throughout our daily operations. To prevent conflict of interest, the Group has also identified procedures with relatively high risk on conflict of interest, such as project bidding, recruitment and promotion, ect. and established transparent policy to minimise its impact.

All of our employees are required to make a declaration to the management through the reporting channels once there is any actual or potential conflict of interest found. Employees cannot receive any gift from any external business parties unless approval is obtained from the management.

During the reporting period, the Group is not aware of any non-compliance or violation of any relevant laws and regulations in respect of anti-corruption.

COMMUNITY

COMMUNITY INVESTMENT

Contribution to the community and maintaining a harmonious and prosperous society are crucial for the sustainable development of the Group. Apart from our pursuit of the business development, we encourage our staff to actively participate in charitable activities and volunteer works, especially on those related with environmental protection.

During the reporting period, we are proud to support The Community Chest of Hong Kong with a donation of HK\$1,000,000, benefiting the needs in Hong Kong community.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company aims to achieve high standards of corporate governance which is crucial to the development of the Group and safeguard the interests of the shareholders.

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

In the opinion of the Directors, the Company was in compliance with the code provisions set out in the CG Code during the period from the Listing Date to 31 March 2018 (the "Period").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Period.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of seven Directors including four executive Directors and three independent non-executive Directors:

Executive Directors

Chow Kwok Chun (*Chairman*)
Tsang Hing Kuen (*Chief Executive Officer*)
Leung Kim Lim
Liu Jin Fai

Independent Non-executive Directors

Ip Ka Ki
Professor Kuang Jun Shang
Law Wang Chak Waltery

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 32 to 36 under the section headed “Biographical Details of Directors and Senior Management”.

Directors’ Training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development and provided to the Company a record of training they received for the Year.

The individual training record of each Director received for the Year is summarised below:

Name of Directors	Attending seminars/ reading materials relevant to the director’s duties
Chow Kwok Chun (<i>Chairman</i>)	√
Tsang Hing Kuen (<i>Chief Executive Officer</i>)	√
Leung Kim Lim	√
Liu Jin Fai	√
Ip Ka Ki	√
Professor Kuang Jun Shang	√
Law Wang Chak Waltery	√

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code requires that the responsibilities between the chairman and the chief executive officer should be segregated.

The two positions are held separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Chow Kwok Chun is the Chairman of the Board and Mr. Tsang Hing Kuen is the Chief Executive Officer of the Company. Mr. Chow is in charge of the management of the Board and strategic planning of the Group. Mr. Tsang is responsible for the day-to-day management of the Group’s business. The Company considered that the division of responsibilities between the Chairman and Chief Executive Officer is clearly established.

Code provision A.2.7 of the CG Code requires that the Chairman should at least annually holds meetings with the non-executive Directors without the executive Directors present. During the Period, the Chairman held a meeting with the independent non-executive Directors without the presence of the executive Directors.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Independent Non-executive Directors

The independent non-executive Directors are appointed for a specific term and they are also subject to the retirement by rotation at least once every three years in accordance with the articles of association of the Company.

The three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of construction, accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gave a confirmation of his independence to the Company, and the Company considered each of them is independent under Rule 3.13 of the Listing Rules.

Functions of the Board and Management

The Board is primarily responsible for establishing the overall strategies of the Group, setting objectives and business development plans, assuming responsibility of corporate governance and monitoring the performance of senior management.

The management, under the leadership of the executive Directors of the Company, is responsible for implementing the strategies and plans established by the Board and reporting on the Group's operations to the Board on a regular basis to ensure effective performance of the Board's responsibilities.

All the Directors have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. All the Directors have been provided with monthly updates on the Group's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

Board Diversity Policy

The Board adopted a board diversity policy on 30 November 2017 (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of diversity in the Board and is committed to enhancing quality of opportunity in all aspects of its business. The Company seeks to achieve Board diversity through the consideration against a range of objective criteria, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

The Board delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Nomination Committee will make recommendations to the Board on measurable objectives for achieving diversity of the Board and monitor the progress on achieving the objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Board Meetings

The Board intends to hold board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular board meetings to provide all Directors with an opportunity to attend and propose matters to be discussed in the meeting agenda. Agendas and accompanying papers shall be sent not less than 3 days before the date of Board meeting to ensure that the Directors are given sufficient time to review the documents.

During the period from the Listing Date to 31 March 2018, the Board held 2 meetings. The attendance record of each Director is set out below:

Name of Directors	Number of attendance
Executive Directors	
Mr. Chow Kwok Chun (<i>Chairman</i>)	2/2
Mr. Tsang Hing Kuen (<i>Chief Executive Officer</i>)	2/2
Mr. Leung Kim Lim	
Mr. Liu Jin Fai	
Independent Non-executive Directors	
Mr. Ip Ka Ki	2/2
Professor Kuang Jun Shang	2/2
Mr. Law Wang Chak Waltery	2/2

Board minutes are kept by the Company secretary of the Company (the "Company Secretary") and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged by the Company in respect of relevant actions against its Directors.

General Meetings

No general meeting was held from the Listing Date to 31 March 2018.

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

NOMINATION COMMITTEE

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

The Company established the Nomination Committee with written terms of reference on 30 November 2017 and currently consists of one executive Director and two independent non-executive Directors, namely Mr. Chow Kwok Chun (as chairman), Mr. Ip Ka Ki and Mr. Law Wang Chak Waltery. The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Terms of reference of the Nomination Committee are aligned with the code provisions set out in the CG Code.

The primary duties and roles of the Nomination Committee include, but are not limited to, (a) reviewing the structure, size and composition and diversity (including the skills, knowledge, educational background, experience and diversity) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board in the selection of individuals nominated for directorships; and (c) assessing the independence of independent non-executive Directors.

During the period from the Listing Date to 31 March 2018, the Nomination Committee held one meeting.

Name of Members	Number of attendance
Mr. Chow Kwok Chun (<i>Chairman</i>)	1/1
Mr. Ip Ka Ki	1/1
Mr. Law Wang Chak Waltery	1/1

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference on 30 November 2017 and currently consists of one executive Director and two independent non-executive Directors, namely Mr. Ip Ka Ki (as chairman), Mr. Chow Kwok Chun and Professor Kuang Jun Shang. The terms of reference of the Remuneration Committee is currently made available on the Stock Exchange's website and the Company's website.

Terms of reference of the Remuneration Committee are aligned with the code provisions set out in the CG Code.

The primary duties and roles of the Remuneration Committee include, but not limited to, (a) making recommendations to the Board on the policy and structure for the remuneration of all of Directors and senior management personnel and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (b) making recommendations to the Board on the specific remuneration packages of individual executive Directors and senior management; (c) reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives; and (d) making recommendations to the Board on the remuneration of non-executive Directors.

During the period from the Listing Date to 31 March 2018, the Remuneration Committee held one meeting.

Name of Members	Number of attendance
Mr. Ip Ka Ki (<i>Chairman</i>)	1/1
Mr. Chow Kwok Chun	1/1
Professor Kuang Jun Shang	1/1

CORPORATE GOVERNANCE AND OTHER INFORMATION

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 13 to the consolidated financial statements.

Senior Management's Remuneration

Senior management's remuneration for the Year falls within the following bands:

	Number of individuals
Nil to HK\$1,000,000	3
HK\$1,000,001 to HK\$2,000,000	2

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference on 30 November 2017 and currently consists of three independent non-executive Directors, namely Mr. Law Wang Chak Waltery (as chairman), Mr. Ip Ka Ki and Professor Kuang Jun Shang. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference of the Audit Committee are aligned with the code provisions set out in the CG Code.

The primary duties and roles of the Audit Committee include, but not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing the financial controls, risk management and internal control systems of the Group.

The Audit Committee meets the external auditors regularly to discuss any area of concern during the audit. The Audit Committee shall review the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the period from the Listing Date to 31 March 2018, the Audit Committee held two meetings.

Name of Members	Number of attendance
Mr. Law Wang Chak Waltery	2/2
Professor Kuang Jun Shang	2/2
Mr. Ip Ka Ki	2/2

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Audit Committee noted the existing risk management and internal control systems of the Group and also noted that review of the same will be carried out annually.

The accounts for the Year were audited by PricewaterhouseCoopers whose term of office will expire upon the conclusion of the forthcoming annual general meeting of the Company ("2018 AGM"). The Audit Committee has recommended to the Board that PricewaterhouseCoopers be re-appointed as the auditors of the Company at the 2018 AGM.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions are performed by the Board.

The corporate governance functions are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements, to oversee the Company's orientation program for new Director, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors, and to review the Company's disclosure in the Corporate Governance Report.

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's auditors are set out below:

	Fee paid/payable HK\$'000
Audit services	1,600
Non-audit services*	2,093
Total:	3,693

* The non-audit services mainly include acting as reporting accountants for the Share Offer and tax compliance services.

COMPANY SECRETARY

The Company has appointed Mr. Leung Cheuk Hei, who is an employee of the Company, as its Company Secretary. Mr. Leung Cheuk Hei has confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training. The biography of Mr. Leung Cheuk Hei is set out in the section headed "Biographies of Directors and Senior Management" of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Shareholders to convene an EGM

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong, for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. The Requisition must be signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will request the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM.

Putting enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong at 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong by post or by email to stanleyleung@vicon.hk.

Procedures for shareholders to propose a person for election as a Director

If a shareholder of the Company wishes to propose a person other than a director of the Company for election as a Director, the Shareholder must deposit a written notice (the "Notice") to the principal place of business of the Company in Hong Kong at 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong, or the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited ("Share Registrar"), at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for the attention of the Company Secretary.

The Notice must state clearly the name, the contact information of the Shareholder and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and be signed by the Shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent (the "Letter") signed by the person proposed to be elected on his/her willingness to be elected as a Director.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The period for lodgment of the Notice and the Letter will commence no earlier than the day after the despatch of the notice by the Company of the general meeting appointed for election of Directors and end no later than seven days prior to the date of such general meeting.

The Notice will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Nomination Committee and the Board to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

Procedures for shareholders to put forward proposals at general meetings

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information at the principal place of business of the Company in Hong Kong, with a copy of the Proposal served to the Company's share registrar in Hong Kong at their respective address and contact details set out on page 2 of this annual report.

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

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

- (1) Notice of not less than twenty-one clear days and not less than twenty clear business days in writing if the Proposal requires approval in an annual general meeting of the Company; and
- (2) Notice of not less than fourteen clear days and not less than ten clear business days in writing if the Proposal requires approval in an extraordinary general meeting of the Company.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2018 AGM will be voted by poll.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 March 2018, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledge that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The internal control systems of the Group are structured to assist in the achievement of the Group's goals, to safeguard the Group's assets and to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations. Such systems are 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.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee, who oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the Year. A review of the effectiveness of the risk management and internal control systems have been conducted by the Board at least annually.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Risk management

The Company has already reviewed its risk management framework and processes and has implemented relevant measures resulting from this exercise that aim to enhance its framework and processes. In particular, The Company has developed, approved and implemented a risk management system, which is defined and supported by its endorsed risk management policy. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Analysis:* Analyze the existing control, likelihood and consequence of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Internal control measures

The internal control system of the Group covers its major business aspects such as revenue management, expenditure management, human resources and payroll, cash and treasury management, financial reporting, compliance and information technology. The internal control measures are supervised by management team including executive Directors of the Company. The management team is responsible to identify risks and internal control deficiencies, evaluate the internal control system of the Group from time to time and implementing additional control measures, if necessary, to improve the internal control system. Results of the internal assessments, internal surveys and routine inspections would be reported to the Audit Committee of the Board, which is responsible to review the financial information and supervise the financial reporting system and internal controls system of the Group.

Internal audit function

The Board conducted an annual review on the effectiveness of risk management and internal control systems, covering all material controls such as financial, operational and compliance controls. In addition, the Board has appointed an internal control review consultant to review the internal control systems of the Group on an on-going basis. For the Year, the review covered key processes of project tendering, payment processing and administration, payroll and legal and compliance of the Group. Such review shall be conducted annually. The Board considered that the risk management and internal control systems of the Company for the Year were effective and adequate.

Handling and dissemination of inside information

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

CONSTITUTIONAL DOCUMENTS

Pursuant to written resolutions of the then shareholders of the Company passed on 30 November 2017, the existing memorandum and articles of association of the Company were adopted. Save as disclosed above, during the period from the Listing Date to 31 March 2018, there was no change in the constitutional documents of the Company.

The existing memorandum and articles of association of the Company are available on the websites of the Stock Exchange and the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chow Kwok Chun (“Mr. Chow”), aged 41, was appointed as our Director on 13 January 2016, and re-designated as an executive Director and chairman of our Board on 13 May 2017. He is mainly responsible for our Group’s overall strategic planning and overseeing the general management of our Group. Mr. Chow is also the chairman of the nomination committee and a member of the remuneration committee of our Board. Mr. Chow became one of the shareholders of Vicon Construction Company Limited (“Vicon Construction”) in April 2007 and has been a director of Vicon Construction since April 2007 and Vicon Machinery Company Limited (“Vicon Machinery”) since November 2013.

Mr. Chow obtained a Bachelor of Engineering in Civil Engineering and a Master of Science in Geotechnical Engineering from University of Newcastle Upon Tyne in July 2000 and May 2004 respectively.

Mr. Chow has accumulated about 15 years of experience in the construction industry.

Mr. Tsang Hing Kuen (“Mr. Tsang”), aged 49, was appointed as our Director on 13 January 2016, and re-designated as an executive Director and our chief executive officer on 13 May 2017. Mr. Tsang is in charge of the overall management of our Group. Mr. Tsang has accumulated about 24 years of experience in building construction business in Hong Kong. Mr. Tsang joined our Group in June 2012 and has been a director of Vicon Construction since June 2012 and Vicon Machinery since November 2013.

Mr. Tsang obtained a Bachelor of Engineering in Civil Engineering and a Master of Business Administration from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in October 1992 and from the University of Wollongong, New South Wales, Australia, in August 2005 respectively. Mr. Tsang also obtained a Postgraduate Certificate in Hong Kong Law from City University of Hong Kong in November 2000.

Mr. Tsang has the following professional qualifications:

Qualifications	Year of award	Conferring departments or institutions
Authorised Signatory and Technical Director for Vicon Construction as General Building Contractor	September 2015	Buildings Department
Authorised Signatory and Technical Director for Vicon Construction as Specialist Contractor in the Foundation Works Category	August 2015	Buildings Department
Class 1 Registered Structural Engineer.	July 2001	National Administration Board of Engineering Registration (Structural), the PRC
Registered professional engineer (structural)	March 1997	Hong Kong Engineers Registration Board
Member in civil discipline	September 1997	Hong Kong Institute of Engineers
Member in the structural discipline	April 1996	Hong Kong Institute of Engineers
Member	November 1995	Institute of Structural Engineers in the United Kingdom

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung Kim Lim (“Mr. Leung”), aged 42, was appointed as our executive Director on 13 May 2017. Mr. Leung is mainly responsible for management and coordination of various types of projects and budget control.

Mr. Leung obtained a Bachelor of Engineering in Civil and Structural Engineering and a Master of Science in Civil Engineering, both from the Hong Kong University of Science and Technology in November 1997 and November 2000 respectively.

Mr. Leung has the following professional qualifications:

Qualification	Year of award	Conferring departments or institutions
Authorised Signatory for Vicon Construction as General Building Contractor	September 2015	Buildings Department
Authorised Signatory for Vicon Construction as Specialist Contractor in the Foundation Works Category	August 2015	Buildings Department
Member in civil discipline	March 2006	Hong Kong Institute of Engineers
Registered Professional Engineer in structural discipline	February 2004	Engineer Registration Board
Chartered Engineer	March 2003	Engineers Council in the United Kingdom
Member in structural discipline	March 2003	Hong Kong Institute of Engineers
Chartered Structural Engineer	November 2002	Institute of Structural Engineers in the United Kingdom

Mr. Leung has accumulated over 18 years of experience in civil, building and foundation construction works.

Mr. Liu Jin Fai (“Mr. Liu”), aged 61, was appointed as our executive Director on 13 May 2017. He is mainly responsible for the day-to-day construction operations; general management, project management and organisation; planning in-house training programme; and Technical Competent Person site supervision.

Mr. Liu has accumulated about 28 years of experience in civil, building and foundation construction works. Mr. Liu obtained the Diploma in Civil Engineering, Higher Certificate in Civil Engineering and Endorsement Certificate in Water Supply and Treatment issued by the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in October 1977, November 1980 and November 1982 respectively. He further his studies and obtained the Bachelor of Engineering from The University of Sheffield, the United Kingdom in July 1992. Mr. Liu has been admitted as member of the Hong Kong Institution of Engineers since September 1997. He has also been a Registered Professional Engineer of Engineers Registration Board since July 2001.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Ka Ki (“Mr. Ip”), aged 38, was appointed as our independent non-executive Director on 30 November 2017. He is also the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of our Board.

Mr. Ip obtained his Bachelor of Business Administration in Accountancy degree from Lingnan University in November 2003. He has been Member of The Association of Chartered Certified Accountant since 2007 and Associate of The Hong Kong Institute of Chartered Secretaries since 2015.

Mr. Ip has been the assistant financial controller and the company secretary of Imperium Group Global Holdings Limited (HKSE: 0776) (formerly known as JF Household Furnishings Limited) since 2011 and April 2017, respectively. From 2006 to 2011, he worked for Shinewing (HK) CPA Limited, an accountancy company, with his last position as assistant manager and was responsible for providing audit works for listed companies. During the period from August 2016 to November 2016, he was an executive director of Grand Peace Group Holdings Limited (HKSE: 8108).

Professor Kuang Jun Shang (“Professor Kuang”), aged 64, was appointed as our independent non-executive Director on 30 November 2017. He is also a member of the audit committee and the remuneration committee of our Board.

Professor Kuang received his bachelor’s degree in structural engineering from The South China University of Technology (formerly known as The South China Institute of Technology) in July 1982. He received his degree of doctor of philosophy from University of Hong Kong and University of Cambridge in December 1989 and October 1992 respectively.

Professor Kuang has been admitted as a Chartered Engineer of the Engineering Council of the United Kingdom in January 1997, a fellow of the Institution of Civil Engineers of the United Kingdom in December 2004, a fellow of the Institution of Structural Engineers of the United Kingdom in June 2006 and a fellow of the Hong Kong Institution of Engineers in November 2009.

Professor Kuang was an assistant professor from July 1992 to June 1997 and an associate professor from July 1997 to June 2009 in the Hong Kong University of Science and Technology. He has been a professor in the Hong Kong University of Science and Technology since July 2009.

Professor Kuang served as a member of the Construction Workers Registration Board of Construction Industry Council from January 2013 to December 2016. He also served as a member of the Building Committee of Hong Kong Housing Authority from April 2013 to March 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Law Wang Chak Waltery (“Mr. Law”), aged 55, was appointed as our independent non-executive Director on 30 November 2017. He is also the chairman of the audit committee and a member of the nomination committee of our Board.

Mr. Law is currently a senior vice president of the finance and corporate development of Gold Peak Industries (Holdings) Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0040). He has 30 years of experience in financial audit, financial due diligence, mergers and acquisitions, corporate restructuring, accounting and corporate finance advisory.

Since April 2015, Mr. Law has been an independent non-executive director, chairman of the audit committee, and a member of the remuneration committee of D&G Technology Holding Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1301). Since November 2016, Mr. Law has been a non-executive director of In Technical Productions Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8446). Since November 2017, Mr. Law has been an independent non-executive director, chairman of the audit committee, and a member for each of the remuneration committee and nomination committee of Solis Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 2227).

Previously, Mr. Law was an executive partner of Profundas Capital Limited, a private equity and investment advisory firm from December 2010 to January 2018 and had been the chief financial officer and non-executive director of Nine Dragons Paper (Holdings) Limited, a company listed on the Hong Kong Stock Exchange (stock code: 2689), from June 2004 to October 2008 and from August 2008 to October 2008, respectively.

Mr. Law also served in different key roles such as chief financial officer and vice president of the finance department in four other companies between November 1992 and May 2004, all of which were listed on Main Board of the Hong Kong Stock Exchange at the relevant time. Mr. Law had worked in the audit division of Coopers & Lybrand (currently known as PricewaterhouseCoopers) between August 1987 and November 1992.

Mr. Law was admitted as a fellow of both the Association of Chartered Certified Accountants in the United Kingdom in October 1995 and the Hong Kong Institute of Certified Public Accountants in February 1998. Mr. Law is currently registered as a Certified Public Accountant (Practising) with the Hong Kong Institute of Certified Public Accountants. Mr. Law was also admitted as a fellow of the Institute of Chartered Accountants in England and Wales since July 2017.

Mr. Law obtained a bachelor of science degree in economics from the University of London in August 1991. He was awarded a master of science degree in financial economics by the University of London in December 1995.

SENIOR MANAGEMENT

Mr. Leung Kim Lim is our executive Director and project director. Please refer to the section headed “Executive Directors” above in this annual report for his biographical information.

Mr. Liu Jin Fai is our executive Director and project manager. Please refer to the section headed “Executive Directors” above in this annual report for his biographical information.

Mr. Chu Chun Man (“Mr. Chu”), aged 34, is our contracts manager (who is mainly responsible for tender bidding, procurement and post-contract administration of construction projects). Mr. Chu has over 10 years of experience in construction industry.

Mr. Chu obtained a Bachelor of Science in Construction Economics and Management from The Hong Kong Polytechnic University in December 2006. He has been admitted as a professional member of The Royal Institution of Chartered Surveyors in November 2010, an incorporate member of The Chartered Institute of Building in October 2011, BEAM Professional of Hong Kong Green Building Council in March 2013, a member of The Hong Kong Institute of Surveyors in September 2014, and a Registered Professional Surveyor (Quantity Surveying) by Surveyors Registration Board in January 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yuen Chun Wa (“Mr. Yuen”), aged 45, is our design manager who is mainly responsible for preparation of temporary work design and alternative design for foundation works; general management, project management and organisation; planning in-house training programme; and Technical Competent Person site supervision. Mr. Yuen has over 20 years of experience in construction industry.

Mr. Yuen obtained a diploma in civil engineering studies issued by Vocational Training Council and a higher diploma in civil engineering from Hong Kong Technical Colleges in August 1994 and July 1996 respectively. He also obtained a Bachelor of Engineering in Civil and Structural Engineering and a Master of Science in Civil Engineering, both from The Hong Kong Polytechnic University, in November 2002 and December 2006 respectively. Mr. Yuen has been a member of the Institution of Civil Engineers in the United Kingdom since December 2009 and a Chartered Engineer registered with the Engineering Council in the United Kingdom since January 2010.

Mr. Mok Ka Fai Wilson (“Mr. Mok”), aged 46, is our safety manager who is mainly responsible for monitoring the safety & health management system of our company. Mr. Mok has more than 20 years of experience in construction industry.

Mr. Mok has been registered as a safety officer with the Labour Department under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations since May 1996. He was admitted as a member of the Institution of Occupational Safety and Health in 2005 and later became a chartered member of the same organisation in 2007. He became a registered Safety Auditor with the Labour Department – Occupational Safety and Health Branch under the Factories and Industrial Undertakings (Safety Management) Regulations in August 2008.

Mr. Mok obtained a Bachelor of Science degree in Construction Project Management from University of Central Lancashire in December 2008 and obtained a Master of Science in Environment and Public Health Management from Hong Kong Baptist University in November 2012. He finished a Construction Safety Officer Course organised by Construction Industry Training Authority in November 1993. He obtained Post-experience Certificate in Advanced Industry Safety in November 1997, Post-experience Certificate in Mechanical Engineering in November 1998, Post-experience Certificates in Quality Management and a Post-experience diploma in Engineering in November 2000, all from The Hong Kong Polytechnic University. He obtained a professional diploma in Crisis Management and Corporate Communication from the Hong Kong Productivity Council and The Institute of Crisis and Risk Management in February 2004. In November 2004, he obtained a Continuing Education Diploma in Occupational Safety and Health from City University of Hong Kong. He further obtained a Continuing Education Diploma in China Business (Financial Management) from Hong Kong Baptist University in December 2006.

COMPANY SECRETARY

Mr. Leung Cheuk Hei (“Mr. CH Leung”), aged 33, is our financial controller and the company secretary of our Company. Mr. CH Leung joined us in April 2016 and is responsible for our financial reporting, financial planning, treasury, financial control and company secretary matters. Prior to joining us, Mr. CH Leung was the company secretary and financial controller of KSL Holdings Limited (HKSE: 8170) from 2014 to 2016. From 2007 to 2014, he was employed by KPMG and his last position was manager.

Mr. CH Leung obtained Bachelor of Economics and Finance degree from The University of Hong Kong in 2007. Mr. CH Leung has been a member of The Hong Kong Institute of Certified Public Accountants since September 2010. Mr. CH Leung has been an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries since June 2018.

DIRECTORS' REPORT

The Directors are pleased to present their first annual report together with the audited consolidated financial statements of the Group for the Year.

REORGANISATION AND SHARE OFFER

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 January 2016 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, Cap. 622 (Laws of Hong Kong) on 25 February 2016. Pursuant to the completion of the reorganisation as detailed in the section headed “History, Development and Reorganisation” in the Prospectus to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group.

The Shares of the Company were listed on the Main Board of the Stock Exchange on 22 December 2017 through Share Offer as described in the section headed “Structure and Conditions of the Share Offer” in the Prospectus.

USE OF PROCEEDS FROM THE COMPANY’S SHARE OFFER

The aggregate net proceeds from the Share Offer (after deducting listing expenses borne by the Company) amounted to approximately HK\$82.7 million. The proposed application of net proceeds as stated in the Prospectus has been adjusted according to the principles and proposed percentage of utilisation as specified in the section headed “Future Plans and Use of Proceeds” of the Prospectus. The use of proceeds from the Listing Date to 31 March 2018 is included in the section “Management Discussion and Analysis” on page 8.

PRINCIPAL ACTIVITIES

The Company is an investment company and its subsidiaries are principally engaged in the foundation works and ancillary services in Hong Kong.

DIRECTORS' REPORT

BUSINESS REVIEW

A review of the business of the Group for the Year and a discussion on the Group's future business development, and also the Group's performance during the Year are provided in the section headed "Management Discussion and Analysis" on pages 5 to 10. No important event affecting the Group has occurred since the end of the year under review.

Principal Risks and Uncertainties

There are certain risks involved in our Group's operations, many of which are beyond the Group's control, including but not limited to those relating to our business and the industry. Some of the major risks the Group facing include the following:

- the gross profit margin depends on the tender price of each project, which in turn is based on the estimated costs and time to be involved
- the Company requires various registrations, licenses and certifications to operate the Group's business in Hong Kong
- personal injuries, property damages or fatal accidents may occur at work sites
- any changes in environmental requirements may increase the Group's compliance costs
- the Group operates in a competitive foundation works services industry

Detailed discussion of the risk factors is set out in the section headed "Risk Factors" in the Prospectus.

Environmental Policy and Performance

The Environment, Social and Governance Report of the Company for the Year contained the information required under Appendix 27 to the Listing Rules is set out on pages 11 to 20 of this report.

Compliance with the Relevant Laws and Regulations

During the year under review, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operation of the Group.

Key Relationships with Employees, Customers, Subcontractors and Suppliers

The Group recognises that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment to employees and emphasis the personal development of its employees.

The Group maintains a good relationship with our customers, subcontractors and suppliers. The Group aims to continue providing quality services to our customers and establishing cooperation strategy with our subcontractors and suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 55.

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

CHARITABLE DONATIONS

During the Year, the Group made approximately HK\$1,000,000 charitable donations (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the forthcoming 2018 AGM to be held on Thursday, 6 September 2018, the register of members of the Company will be closed from Friday, 31 August 2018 to Thursday, 6 September 2018, both days inclusive, during the period no transfer of shares will be registered. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m on Thursday, 30 August 2018.

MACHINERY AND EQUIPMENT

Details of the movements during the Year in the machinery and equipment of the Group are set out in Note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2018, the Company's reserves available for distribution to the shareholders amounted to approximately HK\$120,910,000.

SHARE CAPITAL

Details of the movements in the share capital during the Year are set out in Note 19a to the consolidated financial statements.

DIRECTORS' REPORT

SHARES ISSUED

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company underwent series of reorganisation arrangements, which are more particularly described in the section headed "History, Development and Reorganisation" in the Prospectus.

The Company issued 100,000,000 new shares at HK\$1.20 each in relation to the Share Offer. The net proceeds received by the Company from the Share Offer (after deducting listing expenses borne by the Company) amounted to approximately HK\$82.7 million. Details of the Share Offer were disclosed in the Prospectus.

PRE-EMPTIVE RIGHTS

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

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from 22 December 2017 to 31 March 2018.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1) (a) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on page 102 of this report.

DIRECTORS' REPORT

DIRECTORS

The list of Directors of the Company and up to the date of this annual report is set out below:

Executive Directors

Mr. Chow Kwok Chun (<i>Chairman</i>)	(appointed on 13 January 2016)
Mr. Tsang Hing Kuen (<i>Chief Executive Officer</i>)	(appointed on 13 January 2016)
Mr. Leung Kim Lim	(appointed on 30 November 2017)
Mr. Liu Jin Fai	(appointed on 30 November 2017)

Independent Non-executive Directors

Mr. Ip Ka Ki	(appointed on 30 November 2017)
Professor Kuang Jun Shang	(appointed on 30 November 2017)
Mr. Law Wang Chak Waltery	(appointed on 30 November 2017)

Pursuant to Article 84(1) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to the retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Accordingly, Mr. Leung Kim Lim, Mr. Liu Jin Fai and Mr. Ip Ka Ki shall retire from office by rotation at the AGM and, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 22 December 2017. Either party has the right to terminate the service agreement by giving not less than one month's written notice to the other party.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of two years commencing from 22 December 2017. Either party has the right to terminate the letter of appointment by giving not less than one month's written notice to the other party.

None of the Directors who are proposed for re-election at the 2018 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in note 24 to the consolidated financial statements. The Directors consider that those related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or their associates to acquire benefits by means of acquisition of shares in or debentures of, the Company or in any other body corporate.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No significant transaction, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at 31 March 2018 or at any time during the Year.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance was entered into between the Group, or any of its subsidiaries, and any of the controlling shareholders or any of their subsidiaries during the period between the Listing Date and 31 March 2018.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2018, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (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 are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

(i) Long positions in our Shares

Name of Directors	Capacity	Long position/ Short position	Number of shares/ underlying shares held	Approximate percentage of the issued share capital of the Company	Notes
Chow Kwok Chun	Interest in a controlled corporation	Long position	210,000,000	52.5	1
Tsang Hing Kuen	Interest in a controlled corporation	Long position	90,000,000	22.5	2

Notes:

- The 210,000,000 shares are held through Vic Group Holdings Limited ("VGH"), which is wholly-owned by Mr. Chow Kwok Chun.
- The 90,000,000 shares are held through On Group Holdings Limited ("OGH"), which is wholly-owned by Mr. Tsang Hing Kuen.

DIRECTORS' REPORT

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

Name of Director	Name of associated corporation	Capacity	Long position/ short position	Number of shares held in the associated corporation	Percentage of shareholding
Mr. Chow Kwok Chun	VGH	Beneficial owner	Long position	1 share	100%
Mr. Tsang Hing Kuen	OGH	Beneficial owner	Long position	1 share	100%

Save as disclosed above, none of the Directors, or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2018.

SUBSTANTIAL SHAREHOLDERS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2018, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests of the Directors and the chief executives of the Company, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

Name	Capacity	Long position/ short position	Number of shares/ underlying shares held	Approximate percentage of the issued share capital of the Company	Notes
VGH	Beneficial owner	Long position	210,000,000	52.5	1
OGH	Beneficial owner	Long position	90,000,000	22.5	2
Ms. Hon Yuk Hung	Interest of spouse	Long position	210,000,000	52.5	3
Ms. Lee Siu Fong	Interest of spouse	Long position	90,000,000	22.5	4

Notes:

- VGH is wholly-owned by Mr. Chow Kwok Chun.
- OGH is wholly-owned by Mr. Tsang Hing Kuen.
- Ms. Hon Yuk Hung is the spouse of Mr. Chow Kwok Chun. Ms. Hon Yuk Hung is deemed to be interested in all the Shares which are interested by Mr. Chow Kwok Chun by virtue of the SFO.
- Ms. Lee Siu Fong is the spouse of Mr. Tsang Hing Kuen. Ms. Lee Siu Fong is deemed to be interested in all the Shares which are interested by Mr. Tsang Hing Kuen by virtue of the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 March 2018.

DIRECTORS' REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the period from 22 December 2017 to 31 March 2018.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was conditionally adopted by the written resolutions of the Company's then shareholders passed on 30 November 2017. As of the date of this report, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Scheme.

Purpose of the Scheme

The Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions eligible participants had or may have made to our Group. The Scheme will provide eligible participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate eligible participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

Participants of the Scheme

The Board may, at its discretion, offer to grant an option to the following persons:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including the INEDs) of the Company or any of its subsidiaries;
- (iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to our Group.

Shares available for issuance

The maximum number of the Shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date, being 40,000,000 Shares. The Company may, subject to the issue of a circular, the shareholders' approval in general meeting and/or such other requirements prescribed under the Listing Rules, refresh this limit at any time to 10% of the Shares in issue as at the date of the Shareholders' approval and/or grant options beyond the 10% limit to eligible participants specifically identified by the Board. The above is subject to the condition that the maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Scheme) if this will result in the 30% limit being exceeded.

As at the date of this report, the outstanding number of share options available for grant under the Scheme is 40,000,000 share options to subscribe for the Shares, representing approximately 10% of the issued share capital of the Company.

Maximum entitlement of each eligible participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular, the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules.

Time for exercising option and duration of the Scheme

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

The minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised otherwise imposed by the Directors.

Payment on acceptance of the option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Basis of determining exercise price of the option

The subscription price of a Share in respect of any particular option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a share.

DIRECTORS' REPORT

NON-COMPETITION UNDERTAKINGS

Mr. Chow Kwok Chun, Mr. Tsang Hing Kuen, Mr. Leung Kim Lim, Mr. Liu Jin Fai, VGH and OGH (together, the "Covenantors") have entered into the deed of non-competition on 30 November 2017 (the "NCU") in favour of the Company (for itself and as trustee for each of its subsidiaries from time to time), under which each of the Covenantors has jointly and severally undertaken to the Company that he/it shall not, and shall procure that none of their respective close associates (other than members of the Group) shall, during the period that (a) the shares of the Company remain listed on the Stock Exchange; and (b) either the Covenantors and their respective close associates (other than members of the Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of the Company and not less than 10% of the nototing power from the Substantial Shareholders; or (c) any of the Convenantors or their respective close associates remains as a director of any member of our Group, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business that directly or indirectly be involved in or any business that directly or indirectly competes, or may compete, with our business or undertaking and any other new business which our Group may undertake from time to time after the listing of the shares of the Company on the Main Board of the Stock Exchange.

The Covenantors have confirmed to the Company the compliance with the non-competition undertakings during the period from 22 December 2017 to 31 March 2018. The independent non-executive Directors have reviewed the NCU and confirmed the compliance with the non-compete undertaking by the Covenantors during the period from 22 December 2017 to 31 March 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

EQUITY-LINKED AGREEMENTS

No other equity-linked agreements were entered into by the Group, or existed during the Year.

SUBSIDIARIES

Details of subsidiaries of the Company as at 31 March 2018 are set out in Note 14 to the consolidated financial statements.

BORROWINGS

Particulars of the borrowings of the Group as at 31 March 2018 are set out in Note 21 to the consolidated financial statements.

As at 31 March 2018, the Group had bank borrowings of approximately HK\$74.7 million (2017: HK\$8.2 million) and finance lease liabilities of approximately HK\$15.2 million (2017: HK\$50.3 million).

As at 31 March, 2018, banking facilities were granted to Vicon Construction Company Limited in respect of the specific projects, with an aggregate amount of approximately HK\$49.3 million of which approximately HK\$0.8 million had not been utilised. These banking facilities can only be used for project-specific financing which will be terminated upon the completion of the foundation projects specified in the relevant facility letters.

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

During the Year, the percentage of revenue attributable to the largest customer and the five largest customers of the Group accounted for approximately 24.9% and 87.1% of the Group's total revenue respectively.

During the Year, the largest subcontractor and the five largest subcontractors of the Group accounted for approximately 10.5% and 32.2% of the total cost of sales of the Group respectively.

During the Year, the largest supplier and the five largest suppliers of the Group accounted for approximately 6.8% and 22.0% of the total cost of sales of the Group respectively.

None of the Directors, their associates or any other shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

EMOLUMENT POLICY

The remuneration offered to the employees of the Group generally includes salaries, medical benefits and bonus. In general, the Group determines salaries of its employees based on each employee's qualifications, position and seniority. The Group will review our remuneration package annually. The Group provides a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong.

On 30 November 2017, the Company had adopted the Share Option Scheme under which full time or part time employees, including Directors, of the Company and its subsidiaries, might be granted options to subscribe for the Company's ordinary shares.

DIRECTORS' REPORT

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for Year are set out in Note 13a to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules since the listing of its shares on the Stock Exchange and up to the date of this report.

AUDIT COMMITTEE

The Company established an Audit Committee on 30 November 2017 with written terms of reference in compliance with the CG Code. The primary duties and roles of the Audit Committee include, but are not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing the financial controls, risk management and internal control systems of the Group.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Law Wang Chak Waltery (as chairman), Mr. Ip Ka Ki and Professor Kuang Jun Shang. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2018.

AUDITORS

The shares of the Company were listed on the Stock Exchange on 22 December 2017 and there has been no change in auditor since then. The consolidated financial statements for the year ended 31 March 2018 were audited by PricewaterhouseCoopers whose term of office will expire upon the conclusion of the 2018 AGM. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company for the subsequent year is to be proposed at the 2018 AGM.

By order of the Board
Vicon Holdings Limited
Chow Kwok Chun
Chairman

Hong Kong, 27 June 2018

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF VICON HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Vicon Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 55 to 101, which comprise:

- the consolidated balance sheet as at 31 March 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

The key audit matter identified in our audit is accounting for construction contracts – estimated contract costs and profit recognition.

Key Audit Matter

Accounting for construction contracts – estimated contract costs and profit recognition

Refer to Note 2.10 in the summary of significant accounting policies, Note 4(b), Note 5 and Note 17 to the consolidated financial statements.

For the year ended 31 March 2018, gross profit from construction contracts on foundation work amounted to HK\$50,192,000.

The recognition of revenue on construction contracts is based on the stage of completion which is measured by reference to the proportion of contract cost incurred for work performed to date to the estimated total construction costs.

Recognition of profit on construction contracts is based on the recognised revenue and estimates of budgeted gross profit as well as the expected recovery of costs arising from additional work performed throughout the contracts, for which significant management judgement and estimates are involved.

Profit and cost recognition from construction contracts, as stated above, requires significant time and resources to audit due to the magnitude as well as the significant judgement and estimates involved.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's accounting for percentage of completion of construction work, estimated costs and profit recognition of construction contracts included:

- Obtaining an understanding and tested the key controls over the budgetary process.
- Comparing the historical actual gross profit margin to those budgeted to assess the quality of management budgetary process.
- Inspecting material construction contracts of the Group for agreed contract amount and variations, if any.
- Checking the stage of completion by reference to what proportion of contract costs incurred for work performed to date to the estimated total construction costs of the selected contracts. We tested, on a sample basis, the revenue recognition based on percentage of completion and the calculations of contract costs and gross profits.
- Selecting, on a sample basis, contracts to examine management's budget of the cost components, including such as costs of materials, subcontracting fees and labour costs. We compared the budgeted component cost to supporting documents including but not limited to invoices, price quotation and rate of labour costs. For each selected contract, we also compared cost component of the actual cost incurred up to year end to the budgeted cost and obtained explanation from management for any material variation.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Cont'd)**Key Audit Matter****How our audit addressed the Key Audit Matter**

- Discussing the status of projects with the Group's quantity surveyors and project managers, to identify any variations of contracts and claims, and to obtain explanations for fluctuations in margins and changes in budget as well as the expected recovery of variations. Where necessary, we obtained written opinion from the Group's external legal adviser and discussed with the adviser the basis in concluding the minimum amount which would be recovered from the project. We checked relevant evidence including agreements, correspondence with customers and sub-contractors, for corroboration of their explanations.

Based on the above audit procedures performed, we found that the application of judgement and estimates adopted by management in determining the estimated contract costs and profit recognition of construction contracts were supported by the evidence we obtained.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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 HKSA's 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 HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Hiu Tung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	5	381,301	263,471
Cost of sales	8	(331,109)	(215,064)
Gross profit		50,192	48,407
Other income and gains	7	513	1,110
Professional fees incurred for initial public offering		(12,348)	(3,040)
Other administrative expenses	8	(10,137)	(7,561)
Operating profit		28,220	38,916
Finance income	10	96	122
Finance costs	10	(4,255)	(2,361)
Finance costs, net	10	(4,159)	(2,239)
Profit before income tax		24,061	36,677
Income tax expense	11	(5,840)	(6,489)
Profit for the year		18,221	30,188
Other comprehensive income		—	—
Profit and total comprehensive income attributable to equity holders of the Company		18,221	30,188
Basic and diluted earnings per share (HK cents)	12	5.57	10.06

The notes on pages 61 to 101 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2018

	Note	2018 HK\$' 000	2017 HK\$' 000
ASSETS			
Non-current assets			
Machinery and equipment	15	110,242	125,775
Prepayments and deposits	16	2,857	45
Deferred income tax assets	22	—	185
		113,099	126,005
Current assets			
Trade and retention receivables	16	50,942	38,324
Prepayments, deposits and other receivables	16	2,845	2,683
Amounts due from customers for contract work	17	159,877	58,710
Income tax recoverable		576	3,149
Restricted bank balances	18	1,697	16,817
Cash and cash equivalents	18	100,475	34,421
		316,412	154,104
Total assets		429,511	280,109
EQUITY			
Capital and reserve			
Share capital	19(a)	4,000	—
Reserves	19(b)	255,652	132,689
Total equity		259,652	132,689

CONSOLIDATED BALANCE SHEET

As at 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	21	15,365	29,181
Deferred income tax liabilities	22	1,079	—
		16,444	29,181
Current liabilities			
Trade and retention payables	20	66,280	68,597
Other payables and accruals	20	7,715	15,913
Amounts due to customers for contract work	17	4,901	4,397
Borrowings	21	74,519	29,332
		153,415	118,239
Total liabilities		169,859	147,420
Total equity and liabilities		429,511	280,109

The consolidated financial statements on pages 55 to 101 were approved by the Board of Directors on 27 June 2018 and were signed on its behalf.

Mr. CHOW Kwok Chun
Director

Mr. TSANG Hing Kuen
Director

The notes on pages 61 to 101 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital HK\$'000 (Note 19(a))	Share premium HK\$'000 (Note 19(b))	Merger reserve HK\$'000 (Note 19(b))	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2016	—	—	30,000	72,501	102,501
Comprehensive income					
Profit for the year	—	—	—	30,188	30,188
At 31 March 2017	—	—	30,000	102,689	132,689
At 1 April 2017	—	—	30,000	102,689	132,689
Comprehensive income					
Profit for the year	—	—	—	18,221	18,221
Contribution by and distribution to owner					
Issuance of shares	4,000	104,742	—	—	108,742
At 31 March 2018	4,000	104,742	30,000	120,910	259,652

The notes on pages 61 to 101 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities			
Profit before taxation		24,061	36,677
Adjustments for:			
– Depreciation	15	16,592	12,768
– Gains on disposal of machinery and equipment	7	(440)	(146)
– Interest expenses	10	4,255	2,361
– Interest income	10	(96)	(122)
		44,372	51,538
Changes in working capital			
Increase in trade and retention receivables		(12,618)	(13,350)
(Increase)/decrease in prepayments, deposits and other receivables		(157)	494
Increase in amounts due from customers for contract work		(101,167)	(28,704)
Increase/(decrease) in amounts due to customers for contract work		504	(373)
(Decrease)/increase in trade and retention payables		(2,317)	20,295
(Decrease)/increase in other payables and accruals		(8,198)	2,401
Decrease/(increase) in restricted bank balances		15,120	(17)
Net cash (used in)/generated from operations		(64,461)	32,284
Income tax paid		(2,003)	(16,257)
Net cash (used in)/generated from operating activities		(66,464)	16,027
Cash flows from investing activities			
Purchase of machinery and equipment		(5,016)	(1,899)
Proceeds from disposal of machinery and equipment		1,580	320
Advance to directors		—	(1,926)
Repayment from directors		—	18,346
Interest received		96	—
Net cash (used in)/generated from investing activities		(3,340)	14,841

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Cash flows from financing activities			
Advance from a director		23,300	—
Repayment to a director		(23,300)	—
Drawdown of borrowings		174,436	9,828
Repayment of borrowings		(107,902)	(1,638)
Proceeds from issuance of ordinary shares		120,000	—
Share issuance costs		(11,258)	—
Capital element of finance lease payment		(35,163)	(29,910)
Interest paid		(4,255)	(2,361)
Net cash generated from/(used in) financing activities		135,858	(24,081)
Net increase in cash and cash equivalents		66,054	6,787
Cash and cash equivalents at beginning of year		34,421	27,634
Cash and cash equivalents at end of year	18	100,475	34,421

The notes on pages 61 to 101 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries provide foundation works and ancillary services in Hong Kong and Macau.

Pursuant to the group reorganisation as set out in the section headed "History, Development and Reorganisation" in the Company's listing prospectus dated 12 December 2017 (the "Prospectus"), which was completed on 15 November 2017 (the "Reorganisation"), the Company became the holding company of its subsidiaries now comprising the Group. The shares of the Company were listed on the Main Board of the Stock Exchange on 22 December 2017. The consolidated financial statements of the Group has been prepared as if the Group had always been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

The consolidated financial statements are presented in Hong Kong dollars "HK\$", unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied during the year, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial statements which are in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Adoption of amendments to standards

The Group has adopted the following amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on or after 1 April 2017:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of Interests in Other Entities

The adoption of the above amendments to standards did not have any significant financial impact on these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

(b) New standards, interpretations and amendments to standards which are not yet effective

The following are new standards, interpretations and amendments to standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2018 or later periods, but have not been early adopted by the Group.

HKAS 28 (Amendment)	Investments in Associates and Joint Ventures ⁽¹⁾
HKAS 40 (Amendment)	Transfers of Investment Property ⁽¹⁾
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards ⁽¹⁾
HKFRS 2 (Amendment)	Classification and Measurement of Share based Payment Transactions ⁽¹⁾
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ⁽¹⁾
HKFRS 9	Financial Instruments ⁽¹⁾
HKFRS 9 (Amendment)	Prepayment Features with Negative compensation ⁽²⁾
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾
HKFRS 15	Revenue from Contracts with Customers ⁽¹⁾
HKFRS 15 (Amendment)	Clarifications to HKFRS 15 ⁽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⁾

(1) Effective for the accounting period beginning on 1 January 2018

(2) Effective for the accounting period beginning on 1 January 2019

(3) Effective for the accounting period beginning on 1 January 2021

(4) Effective date to be determined

The Group will apply the above new standards, interpretations and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new standards, interpretations and amendments to standards and set out below are the expected impact of the Group's financial performance and position:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

- (b) New standards, interpretations and amendments to standards which are not yet effective (Cont'd)

HKFRS 9

HKFRS 9 “Financial instrument” addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in September 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments.

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39.

It is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review. Other than the adoption of an expected credit losses impairment model and disclosure changes, adoption of HKFRS 9 is currently not expected to have a material impact on the consolidated financial statements of the Group.

HKFRS 15

HKFRS 15 “Revenue from contracts with customers” replaces the previous revenue standards HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies three situations in which control of the promised good or service is regarded as being transferred over time:

- (i) When the customer simultaneously receives and consumes the benefits provided by the entity’s performance, as the entity performs;
- (ii) When the entity’s performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (iii) When the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. The adoption of HKFRS 15 may have impact on the amount of revenue recognised when multiple performance obligation are identified and the Group is not yet in a position to provide qualified information. On the other hand, the use of input method under HKFRS 15 in measuring the percentage of completion is not expected to significantly affect the timing of revenue recognition upon adoption. The new standard is not expected to apply until the financial year ended 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**2.1 Basis of preparation (Cont'd)**

- (b) New standards, interpretations and amendments to standards which are not yet effective (Cont'd)

HKFRS 16

HKFRS 16 “Leases” addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group’s current accounting policy for such leases is set out in Note 2.20 with the Group’s future operating lease commitments, which are not reflected in the consolidated balance sheets, falling due as follows:

	2018 HK\$' 000	2017 HK\$' 000
No later than 1 year	519	1,976
Later than 1 year and no later than 5 years	—	519
	519	2,495

HKFRS 16 provides new provisions for the accounting treatment of leases. When the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be mapped in the Group’s consolidated balance sheets. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheets. As for the financial performance impact in the consolidated statement of comprehensive income, rental expenses will be replaced with straight-line depreciation expense on the right-of-use asset and interest expenses on the lease liability. The combination of the straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year ending 31 March 2020, and management expects the impacts on the Group’s financial results and position upon the adoption of HKFRS 16 are not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Subsidiaries (Cont'd)

2.2.1 Consolidation (Cont'd)

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

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

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

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK\$, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.5 Machinery and equipment

Machinery and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of machinery and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Shorter of remaining useful life and the period of the lease
Furniture and fixture	5 years
Machinery	5 to 10 years
Motor vehicles	5 years
Office equipment	3 years
Computer	3 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amounts of the relevant assets, and are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.6 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Group classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade and retention receivables, deposits and other receivables and cash and cash equivalents in the consolidated balance sheet.

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs. They are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the companies or the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.8 Impairment of financial assets

The Group assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. They are included in current assets when they are within the Group's normal operating cycle of the business. Otherwise, they are classified as non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.10 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses when incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to the proportion of contract cost incurred for work performed to date bear to the estimated total construction costs. Contract costs that relate to future activity on the contract, such as uninstalled materials, if significant, will be excluded from the measurement of stage of completion, unless the materials have been made specially for the contract.

On the consolidated balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case. Contract assets/liabilities, trade and retention receivables/payables are included in current assets/liabilities as the Group expects to realise these within its normal operating cycle.

2.11 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call at bank with original maturity of three months or less.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.15 Borrowing costs

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

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

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the places where the Company's subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. Revenue is shown after eliminating sales within the Group. Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in Note 2.10 above.

2.19 Interest and other income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivable is recognised using the original effective interest rate.

Consultancy income is recognised in the accounting period in which the services are rendered.

Machinery rental income is recognised based on the straight-line basis over the lease terms.

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group leases certain machinery and equipment. Leases of machinery and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The machinery and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.21 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

(b) Retirement benefit obligations

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

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

2.22 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the directors of the Company. The directors provide principles for an overall risk management, as well as policies covering specific areas.

(a) Market risk

(i) Foreign exchange risk

The Group principally operates in Hong Kong with most of the transactions denominated in HK\$. The exposure to foreign exchange risk is not material to the Group.

(ii) Interest rate risk

The Group is exposed to interest rate risk as borrowings are carried at variable rates. It is the Group's policy to maintain its borrowings subject to floating rates, and accordingly, the Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 March 2018, if the interest rates on borrowings had been 100 basis-points higher/lower with all other variables held constant, pre-tax profit for the year would be approximately HK\$899,000 (2017: HK\$585,000 lower/higher) lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted bank balances, trade and retention receivables, and deposits and other receivables. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

As at 31 March 2018, the Group had concentration of credit risk as 71% (2017: 84%) of the total trade and retention receivables were due from the Group's three (2017: three) customers, respectively.

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade and retention receivable to ensure that adequate impairment provision is made for the irrecoverable amounts. The Group will also consider the creditworthiness and general reputation of customers before submitting any indication of interest or tender.

The credit quality of the amounts due from directors has been assessed with reference to historical information about the counterparty default and financial position of the counterparty. Management does not believe the credit risk in relation to the related parties are significant, considering the existing related parties do not have defaults in the past and management does not expect any losses from non-performance by these related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)**3.1 Financial risk factors (Cont'd)****(c) Liquidity risk**

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

The Group maintains liquidity by a number of sources including orderly realisation of receivables and certain assets that the Group considers appropriate and long term financing including long-term borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end date). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment.

	On demand HK\$' 000	Less than 1 year HK\$' 000	Between 1 and 2 years HK\$' 000	Between 2 and 5 years HK\$' 000	Total HK\$' 000
At 31 March 2018					
Bank borrowings (including those subject to a repayment on demand clause)	48,724	17,540	2,656	5,877	74,797
Finance lease liabilities	—	9,558	4,009	3,984	17,551
Trade and retention payables	—	62,995	3,285	—	66,280
Other payables and accruals	—	5,977	—	—	5,977
At 31 March 2017					
Bank borrowings (including those subject to a repayment on demand clause)	8,190	—	—	—	8,190
Finance lease liabilities	—	23,105	12,854	18,034	53,993
Trade and retention payables	—	62,156	6,441	—	68,597
Other payables and accruals	—	12,416	—	—	12,416

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)**3.2 Capital risk management**

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

The capital structure of the Group consists of equity and borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. The Group monitors capital on the basis of gearing ratio. The gearing ratio is calculated as total borrowings divided by total equity.

As at 31 March 2018 and 2017, the gearing ratios were as follows:

	2018 HK\$'000	2017 HK\$'000
Total borrowings (Note 21)	89,884	58,513
Total equity	259,652	132,689
Gearing ratio	35%	44%

3.3 Fair value estimation

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, trade and retention receivables, deposits and other receivables, trade and retention payables, other payables and borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated useful lives of machinery and equipment

Management estimates useful lives of the machinery and equipment by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the assets, expected repair and maintenance, the technical or commercial obsolescence arising from changes or improvements in the market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

(b) Construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the revenue recognised in each period.

The Group uses the “percentage-of-completion method” to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to the proportion of contract cost incurred for work performed to date bear to the estimated total construction costs. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revised the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract.

(c) Allowance for doubtful receivables

The policy for allowances for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management’s judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional allowances may be required.

(d) Income taxes

The Group is subject to income taxes in Hong Kong and Macau. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expense in the periods in which such estimate is changed.

5 REVENUE

Revenue represents the revenue from foundation work on building construction in the ordinary course of business. Revenue recognised is as follows:

	2018 HK\$'000	2017 HK\$'000
Foundation works and ancillary services	381,301	263,471

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors consider the segment from a business perspective and regard the Group's business as a single operating segment and reviews financial information accordingly.

Geographical information

(a) Revenue from external customers

	2018 HK\$'000	2017 HK\$'000
Hong Kong	355,905	263,471
Macau	25,396	—
	381,301	263,471

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2018 HK\$'000	2017 HK\$'000
Hong Kong	113,099	125,820
Macau	—	—
	113,099	125,820

The non-current assets information above is based on the locations of the assets.

Information about major customers

For the year ended 31 March 2018, there were 4 customers (2017: 3 customers) which individually contributed over 10% of the Group's total revenue. During the year ended 31 March 2018, the revenue contributed from each of these customers was as follows:

	2018 HK\$'000	2017 HK\$'000
Customer A	94,086	86,606
Customer B	73,282	31,367
Customer C	63,779	114,160
Customer D	62,258	N/A

Note: Revenue from Customer D did not exceed 10% of total revenue for the year ended 31 March 2017.

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 OTHER INCOME AND GAINS

	2018	2017
	HK\$' 000	HK\$' 000
Machinery rental income	70	589
Consultancy income	—	362
Gain on disposal of machinery and equipment	440	146
Others	3	13
	513	1,110

8 EXPENSES BY NATURE

	2018	2017
	HK\$' 000	HK\$' 000
Cost of sales		
Subcontracting charges	156,798	107,315
Staff costs (Note 9)	44,052	39,187
Operating lease rental of machinery	281	42
Depreciation	14,614	10,297
Materials, parts and consumables	95,577	46,306
Operating lease rental in respect of storage premises	500	600
Others	19,287	11,317
	331,109	215,064
Other administrative expenses		
Staff costs (Note 9)	1,112	917
Auditors' remuneration	1,600	603
Depreciation	1,978	2,471
Operating lease rental in respect of office and storage premises	1,774	1,758
Professional fees	1,768	753
Motor vehicle expenses	138	180
Donation	1,000	—
Others	767	879
	10,137	7,561

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES

	2018	2017
	HK\$'000	HK\$'000
Wages and salaries	43,540	38,817
Pension costs – defined contribution plans	1,244	1,050
Employment benefit	380	237
	45,164	40,104
Less: amounts included in cost of sales	(44,052)	(39,187)
Amounts included in administrative expenses	1,112	917

The Group participates in a Mandatory Provident Fund scheme (the “MPF Scheme”) in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees’ gross earnings with a ceiling of HK\$1,500 per month to the MPF Scheme.

10 FINANCE COSTS, NET

	2018	2017
	HK\$'000	HK\$'000
Finance income:		
– Interest income on bank deposits	96	122
Finance costs:		
– Interest expenses on bank borrowings	(1,694)	(285)
– Interest expenses on finance lease liabilities	(2,561)	(2,076)
Finance costs, net	(4,159)	(2,239)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE

The amount of income tax charged to profit or loss represents:

	2018 HK\$' 000	2017 HK\$' 000
Hong Kong profits tax		
Current income tax	4,625	6,960
Deferred income tax (Note 22)	1,264	(459)
Over provision in prior year	(49)	(12)
Macao complementary income tax		
Current income tax	—	—
	5,840	6,489

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year ended 31 March 2018.

Macao complementary income tax has been provided at the rate of 12% (2017: 12%) on the estimated assessable profits for the year.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2018 HK\$' 000	2017 HK\$' 000
Profit before income tax	24,061	36,677
Calculated at domestic tax rates applicable to respective companies	3,970	6,052
Tax losses for which no deferred tax asset was recognised	2	—
Income not subject to tax	(104)	(39)
Expenses not deductible for tax purposes	2,041	508
Tax concession	(20)	(20)
Over provision in prior year	(49)	(12)
Income tax expense	5,840	6,489

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 EARNINGS PER SHARE**(a) Basic**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 15 November 2017 and the Capitalisation Issue (as defined in the Prospectus) of ordinary shares which took place on 22 December 2017.

	2018	2017
Profit attributable to equity holders of the Company (HK\$'000)	18,221	30,188
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	327,397	300,000
Basic earnings per share (HK cents)	5.57	10.06

(b) Diluted

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding as at year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS**(a) Directors' and chief executive's emoluments**

The remuneration of each director and the chief executive of the Company which were included in staff costs as disclosed in Note 9 is set out below:

For the year ended 31 March 2018:

	Salaries HK\$' 000	Directors' quarters HK\$' 000	Discretionary bonuses HK\$' 000	Contribution to defined contribution retirement scheme HK\$' 000	Total HK\$' 000
Executive directors					
Mr. CHOW Kwok Chun*	3,766	—	—	18	3,784
Mr. TSANG Hing Kuen	3,766	—	—	18	3,784
Mr. LEUNG Kim Lim (i)	1,545	—	—	18	1,563
Mr. LIU Jin Fai (i)	817	—	—	18	835
	9,894	—	—	72	9,966
Independent non-executive directors					
Mr. IP Ka Ki (ii)	53	—	—	—	53
Professor KUANG Jun Shang (ii)	53	—	—	—	53
Mr. LAW Wang Chak Waltery (ii)	53	—	—	—	53
	159	—	—	—	159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Cont'd)**(a) Directors' and chief executive's emoluments (Cont'd)**

The remuneration of each director and the chief executive of the Company which were included in staff costs as disclosed in Note 9 is set out below: (Cont'd)

For the year ended 31 March 2017:

	Salaries HK\$'000	Directors' quarters HK\$'000	Discretionary bonuses HK\$'000	Contribution to defined contribution retirement scheme HK\$'000	Total HK\$'000
Executive directors					
Mr. CHOW Kwok Chun*	3,766	—	—	18	3,784
Mr. TSANG Hing Kuen	3,766	—	—	18	3,784
Mr. LEUNG Kim Lim (i)	1,355	—	190	18	1,563
Mr. LIU Jin Fai (i)	758	—	58	18	834
	9,645	—	248	72	9,965
Independent non-executive directors					
Mr. IP Ka Ki (ii)	—	—	—	—	—
Professor KUANG Jun Shang (ii)	—	—	—	—	—
Mr. LAW Wang Chak Waltery (ii)	—	—	—	—	—
	—	—	—	—	—

* Chairman and Chief Executive officer

Note:

- (i) Mr. LEUNG Kim Lim and Mr. LIU Jin Fai were appointed as the Company's executive directors on 13 May 2017, Mr. LEUNG Kim Lim and Mr. LIU Jin Fai were also employees of a company within the Group and the amount disclosed above include their employee benefits before their appointment of directorship.
- (ii) Mr. IP Ka Ki, Professor KUANG Jun Shang and Mr. LAW Wang Chak Waltery were appointed as the Company's independent non-executive directors on 30 November 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Cont'd)**(a) Directors' and chief executive's emoluments (Cont'd)**

During the year ended 31 March 2018, none of the directors of the Company (i) received or were paid any remuneration in respect of accepting office; and (ii) waived or has agreed to waive any emolument.

During the year ended 31 March 2018, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services (2017: nil).

During the year ended 31 March 2018, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, other than those disclosed in Note 24 of the consolidated financial statements.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 March 2018 include 3 directors (2017: 3 directors) whose emoluments are reflected in the analysis shown in Note 13(a). The emoluments payable to the remaining 2 individuals (2017: 2 individuals) are as follows:

	2018 HK\$'000	2017 HK\$'000
Basic salaries, other allowances and benefits in kind	2,025	2,200
Contribution to pension scheme	36	36
Bonuses	237	335
	2,298	2,571

The emoluments fell within the following band:

	2018 HK\$'000	2017 HK\$'000
Emolument band		
HK\$1,000,001 - HK\$1,500,000	2	2

During the year ended 31 March 2018, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for the loss of office (2017: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 SUBSIDIARIES

The following is a list of subsidiaries at 31 March 2018:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued share and fully paid share capital	Effective interest held as at	
				2018	2017
Directly held by the Company:					
Vicon Enterprises Limited	British Virgin Islands, limited liability company	Investment holding	US\$1	100%	—
Indirectly held by the Company:					
Vicon Construction Company Limited ("Vicon Construction")	Hong Kong, limited liability company	Foundation works in Hong Kong	HK\$30,000,000	100%	100%
Vicon Machinery Company Limited	Hong Kong, limited liability company	Foundation works in Hong Kong	HK\$10,000	100%	100%
Vicon Construction (Macau) Company Limited	Macau, limited liability company	Foundation works in Macau	MOP900,000	100%	100%

15 MACHINERY AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Machinery	Motor vehicles	Office equipment	Computer	Total
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
At 1 April 2016							
Cost	1,903	1,497	72,865	7,694	198	121	84,278
Accumulated depreciation	(894)	(762)	(3,842)	(2,548)	(177)	(116)	(8,339)
Net book amount	1,009	735	69,023	5,146	21	5	75,939
Year ended 31 March 2017							
Opening net book amount	1,009	735	69,023	5,146	21	5	75,939
Additions	—	—	62,331	330	117	—	62,778
Disposal	—	—	—	(174)	—	—	(174)
Depreciation	(367)	(273)	(10,595)	(1,487)	(44)	(2)	(12,768)
Closing net book amount	642	462	120,759	3,815	94	3	125,775
At 31 March 2017							
Cost	1,903	1,497	135,196	7,044	315	121	146,076
Accumulated depreciation	(1,261)	(1,035)	(14,437)	(3,229)	(221)	(118)	(20,301)
Net book amount	642	462	120,759	3,815	94	3	125,775

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 MACHINERY AND EQUIPMENT (Cont'd)

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Machinery HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Computer HK\$'000	Total HK\$'000
Year ended 31 March 2018							
Opening net book amount	642	462	120,759	3,815	94	3	125,775
Additions	—	—	1,785	414	—	—	2,199
Disposal	—	—	—	(1,140)	—	—	(1,140)
Depreciation	(367)	(244)	(14,614)	(1,326)	(39)	(2)	(16,592)
Closing net book amount	275	218	107,930	1,763	55	1	110,242
At 31 March 2018							
Cost	1,903	1,497	136,981	4,131	315	120	144,947
Accumulated depreciation	(1,628)	(1,279)	(29,051)	(2,368)	(260)	(119)	(34,705)
Net book amount	275	218	107,930	1,763	55	1	110,242

During the year, depreciation expenses of HK\$14,614,000 (2017: HK\$10,297,000) have been charged to cost of sales and HK\$1,978,000 (2017: HK\$2,471,000) have been charged to administrative expenses, respectively.

As at 31 March 2018, machinery and equipment with carrying amount of HK\$20,088,000 (2017: nil) were pledged for the Group's bank borrowings (Note 21(c)(i)).

Machinery includes the following amounts where the Group is a lessee under finance leases:

	2018 HK\$'000	2017 HK\$'000
Cost – capitalised finance leases	74,023	96,946
Accumulated depreciation	(6,859)	(8,704)
Net book amount	67,164	88,242

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 TRADE AND RETENTION RECEIVABLES, AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	28,835	24,093
Retention receivables	22,107	14,231
Trade and retention receivables	50,942	38,324
Prepayments, deposits and other receivables	5,702	2,728
Less: non-current portion	(2,857)	(45)
Current portion	2,845	2,683

The credit period granted to trade customers other than for retention receivables was within 30 days or due upon presentation of invoices. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defects liability period or a pre-agreed time period. The Group does not hold any collateral as security.

At 31 March 2018, the ageing analysis of the trade receivables based on invoice date were as follows:

	2018 HK\$'000	2017 HK\$'000
1 to 30 days	28,687	24,093
91 to 180 days	148	—
	28,835	24,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 TRADE AND RETENTION RECEIVABLES, AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Cont'd)

As at 31 March 2018, trade receivables of HK\$16,685,000 (2017: HK\$19,488,000) were past due but not impaired. These relate to certain customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2018 HK\$' 000	2017 HK\$' 000
Past due by:		
1 to 30 days	16,537	19,488
91 to 180 days	148	—
	16,685	19,488

At 31 March 2018, the ageing analysis of the retention receivables based on invoice date were as follows:

	2018 HK\$' 000	2017 HK\$' 000
Within 1 year	10,239	11,589
Between 1 to 2 years	10,727	2,642
Between 2 to 5 years	1,141	—
	22,107	14,231

As at 31 March 2018, there was no impairment in trade and retention receivables (2017: nil).

The carrying amounts of trade and retention receivables, and prepayments, deposits and other receivables were denominated in HK\$.

17 CONTRACTING WORK-IN-PROGRESS

	2018 HK\$' 000	2017 HK\$' 000
Aggregated costs incurred and recognised profits to date	1,279,876	889,411
Progress billings to date	(1,124,900)	(835,098)
	154,976	54,313
Included in current assets/(liabilities) are the following:		
Due from customers for contract work	159,877	58,710
Due to customers for contract work	(4,901)	(4,397)
	154,976	54,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	2018 HK\$'000	2017 HK\$'000
Cash at bank	101,960	51,126
Cash on hand	212	112
Less: restricted bank balances (Note)	(1,697)	(16,817)
Cash and cash equivalents	100,475	34,421
Maximum exposure to credit risk	101,960	51,126

The carrying amounts of cash and bank balances and restricted bank balances are denominated in HK\$.

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks.

Note: As at 31 March 2018, restricted bank balances consist of deposits of HK\$1,697,000 (2017: HK\$16,817,000) for a bank to issue surety bonds in respect of the Group's construction contracts.

19 SHARE CAPITAL, SHARE PREMIUM AND RESERVES**(a) Share capital**

On 13 January 2016, the Company was incorporated with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with par value of HK\$0.01 each. On the same day, the Company allotted and issued on nil-paid share to an initial subscriber who is an independent third party, which was transferred to Vic Group Holdings Limited ("VGH"), a company incorporated in British Virgin Islands at nil consideration. A further allotment and issuance of 69 Shares and 30 Shares were made on the same day to VGH and On Group Holdings Limited ("OGH") respectively both credited as fully paid.

On 15 November 2017, the Company and Vicon Enterprises Limited, a wholly owned subsidiary incorporated in the British Virgin Islands, entered into a sale and purchase agreement with Mr. Chow and Mr. Tsang to acquire 70% interest in Vicon Construction from Mr. Chow and 30% interest in Vicon Construction from Mr. Tsang. The Company allotted and issued 140 Shares and 60 Shares, both credited as fully paid to VGH (as directed by Mr. Chow) and OGH (as directed by Mr. Tsang) respectively.

On 22 December 2017, pursuant to the Capitalisation Issue, the Company issued a total number of additional 299,999,700 shares, credited as fully paid, to VGH and OGH, respectively, based on their respective number of shares.

Pursuant to the Share Offer (as defined in the Prospectus), the Company issued a total 100,000,000 shares at a price of HK\$1.20 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (Cont'd)

(a) Share capital (Cont'd)

	Number of shares	Share capital HK\$' 000
Ordinary shares, authorised:		
At 13 January 2016 (date of incorporation), 31 March 2017 and 1 April 2017	38,000,000	380
Increase in authorised share capital	962,000,000	9,620
At 31 March 2018	1,000,000,000	10,000
	Number of shares	Share capital HK\$' 000
Ordinary shares, issued and fully paid:		
At 13 January 2016 (date of incorporation), 31 March 2017 and 1 April 2017	100	—
Shares issued pursuant to the Reorganisation	200	—
Shares issued pursuant to the Capitalisation Issue	299,999,700	3,000
Shares issued under the Share Offer	100,000,000	1,000
At 31 March 2018	400,000,000	4,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (Cont'd)

(b) Share premium and reserves

	Share premium HK\$' 000	Merger reserve HK\$' 000 (Note)	Retained earnings HK\$' 000	Total HK\$' 000
At 1 April 2016	—	30,000	72,501	102,501
Comprehensive income				
Profit for the year	—	—	30,188	30,188
At 31 March 2017 and 1 April 2017	—	30,000	102,689	132,689
Comprehensive income				
Profit for the year	—	—	18,221	18,221
Contribution by and distribution to owner				
Shares issued pursuant to the Capitalisation Issue	(3,000)	—	—	(3,000)
Shares issued under the Share Offer	119,000	—	—	119,000
Share issuance costs	(11,258)	—	—	(11,258)
At 31 March 2018	104,742	30,000	120,910	255,652

Note:

Merger reserve of the Group represented the difference between the share capital of the subsidiaries acquired pursuant to the Reorganisation over the nominal value of the share capital of the Company issued in exchange thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS

	2018 HK\$' 000	2017 HK\$' 000
Trade payables	48,960	56,606
Retention payables	17,320	11,991
Trade and retention payables	66,280	68,597
Other payables and accruals (Note)	7,715	15,913
	73,995	84,510

Note: The amounts mainly represent accruals and other payables for materials, wages, legal and professional fees and transportation costs.

The carrying amounts of trade and retention payables, other payables and accruals were denominated in HK\$.

The credit period granted by trade creditors was within 30 days.

At 31 March 2018, the ageing analysis of the trade payables based on invoice date was as follows:

	2018 HK\$' 000	2017 HK\$' 000
1 to 30 days	48,960	56,075
31 to 60 days	—	273
61 to 90 days	—	—
More than 1 year	—	258
	48,960	56,606

The terms and conditions in relation to the release of retention vary from contract to contract. In the consolidated balance sheet, retention payables were classified as current liabilities. The ageing analysis of the retention payables based on invoice date was as follows:

	2018 HK\$' 000	2017 HK\$' 000
Within 1 year	14,035	5,808
Between 1 and 3 years	3,285	6,183
	17,320	11,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Non-current		
Long-term bank borrowings – secured (note (c)(i))	8,533	—
Finance lease liabilities – secured and guaranteed (note (c)(ii))	6,832	29,181
	15,365	29,181
Current		
Long-term bank borrowings due for repayment within one year – secured (note (c)(i))	2,467	—
Short-term bank borrowings – secured and guaranteed (note (c)(iii))	48,560	—
Short-term bank borrowings – unsecured	15,164	8,190
Finance lease liabilities – secured and guaranteed (note (c)(ii))	8,328	21,142
	74,519	29,332
	89,884	58,513

- (a) Based on the scheduled repayment terms set out in the loan agreement and ignoring the effect of any repayment on demand clause, the maturity of borrowing would be as follows:

	2018 HK\$'000	2017 HK\$'000
Within 1 year	66,191	8,190
Between 1 and 2 years	2,656	—
Between 2 and 5 years	5,877	—
	74,724	8,190

The finance lease liabilities are as follows:

	2018 HK\$'000	2017 HK\$'000
Gross finance leases – minimum lease payments		
Within 1 year	9,558	23,105
Between 1 and 2 years	4,009	12,854
Between 2 and 5 years	3,984	18,034
	17,551	53,993
Future finance charges on finance leases	(2,391)	(3,670)
Present value of finance lease liabilities	15,160	50,323

The present value of finance lease liabilities is as follows:

	2018 HK\$'000	2017 HK\$'000
No later than 1 year	8,328	21,142
Later than 1 year and no later than 5 years	6,832	29,181
	15,160	50,323

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 BORROWINGS (Cont'd)

- (b) The weighted average interest rates were as follows:

	2018	2017
Long-term bank borrowings	4.67%	—
Short-term bank borrowings	1.12%	2.09%
Finance lease liabilities	4.55%	5.53%

The carrying amounts of borrowings were denominated in HK\$ and approximated their fair value as the impact of discounting is not significant.

- (c) The Group's banking facilities are subject to annual review. The borrowings are secured or guaranteed as follows:
- (i) As at 31 March 2018, machinery and equipment with carrying amount of HK\$20,088,000 (2017: nil) were pledged for the Group's bank borrowings.
 - (ii) As at 31 March 2018, the finance lease liabilities amounting to HK\$15,160,000 (2017: HK\$50,323,000) from two banks are guaranteed by the Company and pledged by the Group's machinery and equipment with carrying amount of HK\$67,164,000 (2017: HK\$88,242,000).
 - (iii) As at 31 March 2018, banking facilities granted to Vicon Construction in respect of the specific projects, with an aggregate amount of HK\$49,340,000 were guaranteed by (i) the Company; and (ii) charge over the Group's trade receivables with an aggregate amount of approximately HK\$8,010,000, of which HK\$780,000 had not been utilised. These banking facilities can only be used for project-specific financing which will be terminated upon the completion of the foundation projects specified in the relevant facility letters. During the year ended 31 March 2018, unlimited personal guarantees provided by directors as at 31 March 2017 were released and replaced by the guarantees of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Deferred income tax

The analysis of deferred income tax was as follows:

	2018 HK\$'000	2017 HK\$'000
Deferred income tax assets to be recovered after more than 12 months	—	185
Deferred income tax liabilities to be recovered after more than 12 months	1,079	—

The movements in the deferred income tax account are as follows:

	2018 HK\$'000	2017 HK\$'000
At beginning of the year	185	(274)
(Charged)/credited to the profit or loss (Note 11)	(1,264)	459
At end of the year	(1,079)	185

The movements in deferred income tax liabilities and assets, without taking into consideration the offsetting of balances with the same tax jurisdiction, are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation HK\$'000	Unrealised loss arising from intra-group transactions HK\$'000	Total HK\$'000
At 1 April 2016	(6,176)	—	(6,176)
Charged to the profit or loss	(4,163)	—	(4,163)
At 31 March 2017	(10,339)	—	(10,339)
At 1 April 2017	(10,339)	—	(10,339)
Charged to the profit or loss	(2,151)	—	(2,151)
At 31 March 2018	(12,490)	—	(12,490)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Deferred income tax (Cont'd)**Deferred income tax assets**

	Tax losses HK\$' 000	Unrealised profit arising from intra-group transactions HK\$' 000	Total HK\$' 000
At 1 April 2016	5,897	5	5,902
Credited to the profit or loss	4,622	—	4,622
At 31 March 2017	10,519	5	10,524
At 1 April 2017	10,519	5	10,524
Credited to the profit or loss	887	—	887
At 31 March 2018	11,406	5	11,411

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

	2018 HK\$' 000	2017 HK\$' 000
Deferred income tax (liabilities)/assets	(1,079)	185

23 Operating lease commitments

The future aggregate minimum lease rental expenses in respect of office and quarters for workers and directors under non-cancellable operating leases are as follows:

	2018 HK\$' 000	2017 HK\$' 000
No later than 1 year	519	1,976
Later than 1 year and no later than 5 years	—	519
	519	2,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) Key management compensation

Key management comprises the directors (executive and non-executive) of the Company. The compensation paid or payable to key management for employee services is shown below:

	2018 HK\$'000	2017 HK\$'000
Salaries, bonus, other allowances and benefits in kind	10,053	9,893
Pension costs – defined contribution plans	72	72
	10,125	9,965

(b) Guarantee provided by a director to the Group's borrowings

The guarantee provided by a director to the Group's borrowings is disclosed in Note 21(c)(iii). Such guarantee has been released during the year.

25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**Changes in liabilities arising from financing activities**

	Amount due to a director HK\$'000	Borrowings HK\$'000	Finance leases HK\$'000	Total HK\$'000
At 1 April 2017	—	8,190	50,323	58,513
Cash flows from financing activities	—	66,534	(35,163)	31,371
At 31 March 2018	—	74,724	15,160	89,884

26 CONTINGENT LIABILITIES

As at 31 March 2018, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to HK\$1,697,000 (2017: HK\$16,817,000). The performance bonds as at 31 March 2018 are expected to be released in accordance with the terms of the respective construction contracts.

27 ULTIMATE HOLDING COMPANY

Management considers VGH as the ultimate holding company of the Group, which is a company incorporated in the British Virgin Islands and owned by Mr. CHOW.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	2018 HK\$'000	2017 HK\$'000
ASSETS			
Non-current asset			
Investment in a subsidiary		—	—
Current assets			
Prepayments		520	—
Amount due from a subsidiary		86,003	—
Cash and cash equivalents		9,821	—
		96,344	—
EQUITY			
Capital and reserve			
Share capital		4,000	—
Reserves	(a)	89,344	(3,040)
Total equity/(deficit)		93,344	(3,040)
LIABILITIES			
Current liabilities			
Amount due to a subsidiary		—	3,040
Other payables and accruals		3,000	—
Total liabilities		3,000	3,040
Total equity and liabilities		96,344	—

The balance sheet of the Company was approved by the Board of Directors on 27 June 2018 and was signed on its behalf:

Mr. CHOW Kwok Chun
Director

Mr. TSANG Hing Kuen
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

Note (a)

Reserve movement of the Company

	Share premium HK\$' 000	Accumulated losses HK\$' 000	Total HK\$' 000
At 13 January 2016 (date of incorporation) and 1 April 2016	—	—	—
Loss for the year	—	(3,040)	(3,040)
At 31 March 2017	—	(3,040)	(3,040)
At 1 April 2017	—	(3,040)	(3,040)
Loss for the year	—	(12,358)	(12,358)
Shares issued pursuant to the Capitalisation Issue	(3,000)	—	(3,000)
Shares issued under the Share Offer	119,000	—	119,000
Share issuance costs	(11,258)	—	(11,258)
At 31 March 2018	104,742	(15,398)	89,344

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the four financial years, as extracted from the audited consolidated financial statements and the Prospectus is set out below. No financial statements of the Group for the year ended 31 March 2014 have been published.

CONSOLIDATED Results

	For the year ended 31 March			
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	276,752	323,563	263,471	381,301
Gross profit	35,690	57,317	48,407	50,192
Profit for the year	26,034	31,066	30,188	18,221
Earnings per share				
Basic (HK cents)	8.68	10.36	10.06	5.57
Diluted (HK cents)	N/A*	N/A*	N/A*	5.57

* Not applicable

CONSOLIDATED Assets, liabilities and equity

	As at 31 March			
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
ASSETS				
Non-current assets	8,189	76,189	126,005	113,099
Current assets	134,190	118,684	154,104	316,412
Total assets	142,379	194,873	280,109	429,511
LIABILITIES				
Current liabilities	69,537	78,133	118,239	153,415
Non-current liabilities	1,407	14,239	29,181	16,444
Total liabilities	70,944	92,372	147,420	169,859
EQUITY				
Total equity attributable to owners of the Company	71,435	102,501	132,689	259,652