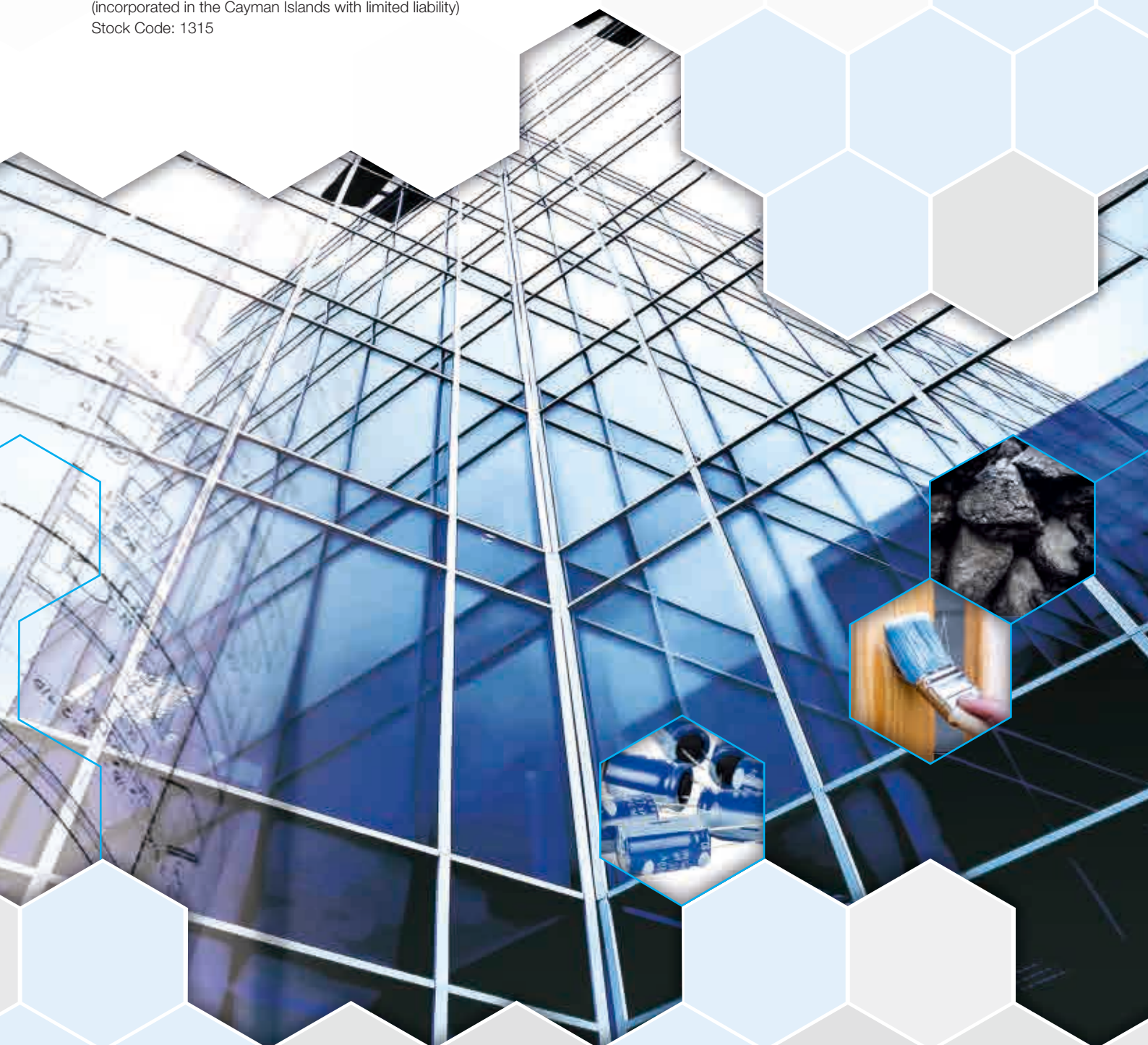


Vision Fame International Holding Limited

允升國際控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1315



2018
ANNUAL REPORT



CONTENTS

02	Corporate Information
04	Chairman's Statement
07	Management Discussion and Analysis
20	Biographical Details of Directors and Senior Management
25	Directors' Report
35	Corporate Governance Report
47	Independent Auditor's Report
52	Consolidated Statement of Profit or Loss and Other Comprehensive Income
53	Consolidated Statement of Financial Position
55	Consolidated Statement of Changes in Equity
57	Consolidated Statement of Cash Flows
59	Notes to Financial Statements
122	Five Year Financial Summary

Corporate Information

EXECUTIVE DIRECTORS

Chau Chit (*Co-Chairman and Chief Executive Officer*)
Dai Jialong (*Co-Chairman*)
Xie Xiaotao

NON-EXECUTIVE DIRECTOR

Chen Guobao (resigned on 24 October 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Tam Tak Kei Raymond
Wong Kai Tung Simon
Wong Wai Kwan

COMPANY SECRETARY

Au-yeung Lok Man

AUDIT COMMITTEE

Tam Tak Kei Raymond (*Chairman*)
Wong Kai Tung Simon
Wong Wai Kwan

REMUNERATION COMMITTEE

Wong Kai Tung Simon (*Chairman*)
Chau Chit
Dai Jialong
Tam Tak Kei Raymond
Wong Wai Kwan
Xie Xiaotao
Chen Guobao (resigned on 24 October 2017)

NOMINATION COMMITTEE

Chau Chit (*Chairman*)
Dai Jialong
Tam Tak Kei Raymond
Wong Kai Tung Simon
Wong Wai Kwan
Xie Xiaotao
Chen Guobao (resigned on 24 October 2017)

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Offices A and B, 18/F., Alliance Building
No. 130–136 Connaught Road Central, Hong Kong

AUTHORISED REPRESENTATIVES

Chau Chit
Au-yeung Lok Man

AUDITOR

Ernst & Young
22/F., CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Corporate Information (Continued)

LEGAL ADVISERS

As to Hong Kong law
Simmons & Simmons
13/F., One Pacific Place
88 Queensway
Hong Kong

As to the Cayman Islands law
Appleby
2206–19 Jardine House, 1 Connaught Place
Central, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
DBS Bank (Hong Kong) Limited
DBS Bank Limited
Chong Hing Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F, Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

COMPANY WEBSITE

www.visionfame.com

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the annual results of Vision Fame International Holding Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2018 ("Fy2018").

The Group recorded total turnover of approximately HK\$1,209 million for Fy2018, representing a decrease of approximately 20% or HK\$299 million as compared to the financial year ended 31 March 2017 ("Fy2017"). Loss attributable to shareholders of the Company for Fy2018 is approximately HK\$22.4 million (Fy2017: approximately HK\$0.1 million).

Basic loss per share for Fy2018 is approximately HK0.37 cent (Fy2017: approximately HK0.002 cent) and diluted loss per share is approximately HK0.37 cent (Fy2017: approximately HK0.002 cent). The Board does not recommend any payment of dividends for Fy2018 (Fy2017: Nil).

Further analysis of the Group's results is set out in the "Management Discussion and Analysis" section.

BUSINESS OVERVIEW AND PROSPECT

Graphene production business

Graphene is a thin layer of pure carbon, which might be the strongest and thinnest material known to exist in nature. It has excellent properties, including good elasticity, light weight, exceptionally high electronic and thermal conductivities, bacteriostasis, memory function and impermeability, which gives rise to its extensive downstream applications possible. Examples of the various uses of graphene include but not limited to energy storage (e.g. batteries), anti-corrosion coatings, electromagnetic coatings, thermally-conductive lubricants that reduce wear and friction, conductive paints to reduce the use of volatile organic compounds, high-sensitivity biological and chemical sensor.

The unique graphene production methodology brought into the Group by Mr. Dai Jialong ("Mr. Dai"), our executive director, co-chairman and chief technology officer is proven to be pioneered in the steady, environment-friendly and low cost production of high quality graphene by the National Center for Nanoscience and Technology of China ("NCNTC") (國家納米科學中心) and the CAS Key Laboratory of Nanosystem and Hierarchical Fabrication (中國科學院納米系統與多級次製造重點實驗室). Our graphene output has a thickness of less than 10 nanometres, proportion of raw two-dimensional structure above 90% and is free from material structure defect.

Following our first graphene production line with annual production capacity of approximately 3.5 tonnes came in operation in Fy2017, a further of 70 production lines with annual capacity of over 200 tonnes was successfully installed in June 2018. The testing, calibration and trial run of these production lines has reached the final stage and are ready for mass production fall 2018.



Chairman's Statement (Continued)

To maintain our foremost position in the market, the Group engages specialists, universities and research institutes and forms alliances with potential business partners in the relevant industry to invest and develop downstream application products in order to broaden the graphene market as well as securing our future customers. Major ongoing development projects includes the cooperation with:

- (i) NCNTC in respect of the establishment of The Joint Engineering Laboratory for Research and Applications of Graphene for a term of 3 years;
- (ii) Marine Chemical Research Institute ("MCRI") for research and applications of graphene in anti-erosion coatings and paints for a term of 3 years; and
- (iii) Tonji University and Shanghai Jiao Tong University for the development of graphene-based electrochemical energy storage equipment.

Up to date of this report, the following applications have been successfully developed using the Group's graphene output.

- (i) The anti-corrosive coating or primer, a light weight heavy-duty coating layer for application in the marine and navigating environment. In 2017, our graphene based anti-corrosive coating has passed the 2000-hour corrosion test, neutral salt spray test, performed by National Quality Supervision and Inspection Center for Paint (國家塗料質量監督檢驗中心) with less than 0.6mm corrosive damage around the scribe mark (artificial damages of the surface) and nil impact off the scribe area. Nevertheless, the cooperation between the Group, the subsidiary of Shuangliang Eco-Energy System Holding Company Limited (the "Shuangliang Group") and other investors (details of which is set out in the Company's announcement dated 10 January 2017) was terminated. The Group is currently in negotiation with another sizable anti-corrosive paint manufacturer in Jiangyin City, with over 20 years' experience and a strong customer base in the industry for the development of graphene based anti-corrosive coating technology. The Group and the counter party are undergoing due diligence process.
- (ii) The visible light photocatalysis net, a deodorant filter that increases the oxygen content as well as decompose the toxic organic matter in the air or water. It can be applied in both air and water purification engineering projects for sewage plants and construction sites. Our customer, the related technology owner, has submitted tenders for municipal water purification engineering projects and further research and development is ongoing to accomplish the standard/requirement for tender.
- (iii) The Graphene based Ultra High Molecular Weight Polyethylene Fiber ("G-UHMW-PE"), the world's strongest and lightest high-performance fiber made with flexible chain macromolecules materials. Its strength is 10 times more than steel wire of same weight. It has density of 0.97 g/cm³ that make it floats on water; high chemical (strong acid/alkaline and organic solvent) and weather-ageing (including ultraviolet) resistance/endurance; excellent shielding on radiation as nuclear plant shielding plate materials; ductility at liquid helium temperature (-269°C) and excellent impact strength in liquid nitrogen (-195°C) as low-temperature resistance materials for nuclear plant components. It is non-moisture absorbing; electrical insulating; non-toxic and benzene-free (for food and medication processing). The Group has secured a customer, who has a comprehensive grasp of the related technology and who has successfully launched G-UHMW-PE in the market. The Group is formulating plans with this customer for expansion of G-UHMW-PE business after the completion of the installation of our 70 graphene production lines.

Chairman's Statement (Continued)

Amongst other downstream applications under development, the research in graphene-based fast-charging and long-life electrochemical energy storage equipment led by Tonji University and Shanghai Jiao Tong University, is the core development subject of the Group. A new engineering laboratory of 400 m² was established with an aim to develop high performance automobile battery that can achieve "ten minutes charge, two hours drive" endurance. The laboratory would be in full operation by fall 2018. We will also continue to cooperate with industry experts, specialists, universities and research institutes to extend the use of graphene in other areas, such as electrical equipment, military and aerospace facilities and other high-energy and high-power electronic products, further widening the market for graphene products.

Construction related businesses

The business opportunities in the Hong Kong construction market is still optimistic as the Hong Kong government had clearly expressed its firm position to maintain a steady housing supply for the society. Moreover, the increased expenditure in public health sector could also create business opportunities in the maintenance and upgrading works for this sector. However, the Group will still keep a prudent approach in securing business opportunities in view of the challenge of on-going rise in labour costs.

For Singapore, the Singapore Government made an announcement in the 3rd quarter of 2017 to bring forward S\$700 million worth of public amenities project over the next 2 years in a bid in order to give a boost to the beleaguered construction industry. The Group expects the deteriorating environment in the Singapore construction industry would be somewhat stabilized and improved with relatively more opportunities for industry players. The Group is aligning its strategy by participating actively in tender bids for public sector new building and A&A works; while keeping an eye on private sector opportunities.

On the other hand, a steady rise in construction material prices for items like steel bars and concrete was witnessed in the Singapore Construction market in the past few months. Market sentiments does not point to a fall in prices anytime soon. This, along with the continued tightening on foreign workers employment by the Singapore Government, indicates that construction cost will likely continue burgeoning upwards. The Group believes that price competition will not be sustainable in the long run and the best way to position itself in the market will be through quality and productivity improvements.

APPRECIATION

Finally, I would like to take this opportunity to express my gratitude to our shareholders and business partners for their support to and trust in the Board. My gratitude also extends to our management and staff for their loyalty and diligence in the achievements of the Group.

Chau Chit

Co-Chairman and Chief Executive Officer

Vision Fame International Holding Limited

28 June 2018

Management Discussion and Analysis

RESULTS OF THE GROUP

The Group recorded total turnover of approximately HK\$1,209 million for the financial year ended 31 March 2018 (“Fy2018”), representing a decrease of approximately 20% or approximately HK\$299 million as compared to the financial year ended 31 March 2017 (“Fy2017”). Such decrease was mainly attributable to the drop of revenue from building construction, alterations and maintenance (Fy2018: approximately HK\$962.6 million; Fy2017: approximately HK\$1,314.5 million). In particular, the revenue from property maintenance operations had dropped by 34% or approximately HK\$218.2 million upon the expiration of two large-scale property maintenance contracts in March 2017.

Notwithstanding to the above, the Group recorded an increase in gross profit, from approximately HK\$62.7 million in Fy2017 to approximately HK\$68.7 million in Fy2018, which is mainly attributable to the high gross profit margin contributed by the building construction segment for the year (Fy2018: approximately 10%; Fy2017: approximately 3%).

The fluctuations in revenue and segment results are further discussed in the Review of Operations section below.

The loss attributable to shareholders of the Company for Fy2018 is approximately HK\$22.4 million (Fy2017: approximately HK\$0.1 million). The significant deterioration in the result for the year was mainly attributable to the following factors:

- (i) The increase in the consultancy and research fee paid for and the depreciation of plant and machinery used in the development of the graphene downstream applications during the year;
- (ii) The recognition of an impairment loss of approximately HK\$3.4 million on the investment in unlisted equity investments (represented a joint venture company established in the People’s Republic of China and classified as available for sales investment carried at cost), due to the termination of the cooperation between the Group and the other investors in the development of graphene downstream applications in the joint venture company; and
- (iii) The recognition of an impairment loss provision of approximately HK\$11 million made in respect of trade debts owing by an individual customer that was in short-term financial difficulties and the receivables might not be fully recovered.

Basic loss per share for Fy2018 is approximately HK0.37 cent (Fy2017: approximately HK0.002 cent) and diluted loss per share is approximately HK0.37 cent (Fy2017: approximately HK0.002 cent). The Board does not recommend any payment of dividends for Fy2018 (Fy2017: Nil).

RESULTS OF OPERATIONS

(i) Building Construction

Building construction segment recorded revenue of approximately HK\$285 million (Fy2017: approximately HK\$317 million) for Fy2018. The decrease in the segment revenue is in line with the decrease in number of building construction projects in progress during the year. The average contract sum of construction contracts in progress for Fy2018 was amounted to approximately HK\$796 million (Fy2017: approximately HK\$891 million).

On the contrary, segment profit increased from approximately HK\$9.2 million in Fy2017 to approximately HK\$28.7 million in Fy2018.

Such increment in segment profit was mainly attributable to the recovery of considerable amounts for variation orders from a loss making project in Fy2018.

Management Discussion and Analysis (Continued)

(ii) Alterations, Renovation, Upgrading and Fitting-out (“A&A”) Works

Revenue for the A&A works segment for Fy2018 was approximately HK\$245 million (Fy2017: approximately HK\$346 million) and segment profit was approximately HK\$13.3 million (Fy2017: approximately HK\$26.1 million).

Similar to building construction segment, the decrease in the revenue from A&A works is in line with the decrease in number of contract in progress. The average contract value for Fy2018 was amounted to approximately HK\$595 million (Fy2017: approximately HK\$707 million). It was also attributable to the completion of several large scale projects secured in prior years.

(iii) Property Maintenance

Revenue for the property maintenance segment decreased from approximately HK\$651 million in Fy2017 to approximately HK\$433 million in Fy2018 and segment profit decreased from approximately HK\$29.8 million in Fy2017 to approximately HK\$29.7 million in Fy2018.

The decrease in segment revenue was mainly attributable to the expiration of two large scale long term property maintenance contracts in March 2017, which had contributed 59% of revenue of the Fy2017. The loss of revenue from the expired contracts was partly compensated by the revenue from another large scale property maintenance contract with contract value of approximately HK\$780 million won in first quarter of Fy2017, which had contributed approximately 31% of revenue during Fy2018. The work for this new contract commenced in April 2017 and is expected to be in full swing in 2018.

(iv) Graphene Production and Trading of Materials

Revenue for this segment for Fy2018 included sales of graphene of approximately HK\$0.5 million (Fy2017: approximately HK\$2 million) and sales of materials of approximately HK\$246.0 million (Fy2017: approximately HK\$191 million).

The sales of graphene for Fy2018 and Fy2017 mainly represented sales to research institutes and manufacturers in the nanometer-scaled/metals material industry for application test purposes.

For trading of materials business, the Group mainly sells titanium dioxide, which was widely used in pigment, sunscreen, food coloring. During the year, the Group sold approximately 6,949 tonnes of titanium dioxide as compared to approximately 5,535 tonnes in Fy2017.

Segment loss was approximately HK\$19.2 million (Fy2017: approximately HK\$0.9 million), which was mainly attributable to the recognition of an impairment loss provision of approximately HK\$11 million made in respect of trade debts owing by an individual customer that was in short-term financial difficulties and the receivables might not be fully recovered.

Management Discussion and Analysis (Continued)

AVAILABLE-FOR-SALE INVESTMENTS

As at 31 March 2018, the Group has available-for-sale investments of approximately HK\$23.6 million (as at 31 March 2017: approximately HK\$22.8 million), which comprised primarily (1) investment in the certificate of deposit issued by Agricultural Bank of China Limited Hong Kong Branch due in January 2019, of approximately HK\$20 million (as at 31 March 2017: the certificate of deposit issued by Dah Sing Bank Limited due in April 2017 of approximately HK\$14.1 million); (2) investment in the 89,400,000 listed shares (as at 31 March 2017: 89,400,000) with market value of approximately HK\$3.2 million (as at 31 March 2017: approximately HK\$5.0 million) of a listed company in Singapore, HLH Group Limited. The fair values of the above listed shares are determined based on the quoted bid prices available on the Singapore Exchange Limited.

Included in available-for-sale investments as at 31 March 2017 was an unlisted equity investment of approximately HK\$3.4 million, which represented 10% equity interest in joint venture company established in the PRC. During the year, the cooperation between the Group and the other investors in development of graphene downstream applications in the joint venture company was terminated. As a result, there was an impairment loss of approximately HK\$3.4 million on the available-for-sale investment during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong and healthy financial position. As at 31 March 2018, the current assets and current liabilities were stated at approximately HK\$718.9 million (as at 31 March 2017: approximately HK\$979.1 million) and approximately HK\$263.7 million (as at 31 March 2017: approximately HK\$475.7 million), respectively. The current ratio maintained at 2.73 times as at 31 March 2018 (as at 31 March 2017: 2.06 times). The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective period. As at 31 March 2018, the Group had total cash and bank deposits of approximately HK\$303.3 million (as at 31 March 2017: approximately HK\$460.5 million).

As at 31 March 2018, total interest-bearing loans and zero-coupon convertible bond amounted to approximately HK\$273.3 million (as at 31 March 2017: approximately HK\$172.0 million) and approximately HK\$16.4 million (as at 31 March 2017: approximately HK\$14.3 million) respectively. The Group's net cash balance (the sum of pledged bank deposits and restricted cash and cash and cash equivalents less interest-bearing bank and other borrowings in current portion) has decreased from approximately HK\$459.4 million as at 31 March 2017 to approximately HK\$273.0 million as at 31 March 2018.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. As at 31 March 2018, the Group had obtained credit facilities from various banks up to a maximum amount of approximately HK\$162.0 million (as at 31 March 2017: approximately HK\$142.8 million) and approximately HK\$34.8 million (as at 31 March 2017: approximately HK\$51.2 million) of the credit facilities has been utilized. As at 31 March 2018, the gearing ratio of the Group was approximately 32.6% (as at 31 March 2017: approximately 16.6%). The gearing ratio is calculated by dividing total interest-bearing borrowings with total assets as at the reporting date multiplied by 100%. With its available bank balances and cash and existing available bank credit facilities, the Group has sufficient liquidity and financial resources to satisfy the financial requirements of its existing businesses.

Management Discussion and Analysis (Continued)

PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and insurance companies to secure the banking facilities and performance bonds granted to the Group:

	31 March 2018 HK\$'000	31 March 2017 HK\$'000
Property, plant and equipment	24,790	—
Trade receivables	10,283	—
Other receivables	21,793	18,477
Available-for-sale investments	20,033	14,099
Bank deposits	57,305	48,005
Cash at bank	346	6,451
	134,550	87,032

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries or associated companies by the Group in FY2018.

USE OF PROCEEDS FROM ISSUE OF SHARES AND A CONVERTIBLE BOND

On 16 December 2015, the Company entered into:

- (i) a subscription agreement with Mr. Dai Jialong (“Mr. Dai”), an independent third party at that time, pursuant to which the Company will allot and issue, and Mr. Dai will subscribe for, 120,000,000 subscription shares* at the subscription price of approximately HK\$0.3 per share (the “Subscription Price”);
- (ii) a subscription agreement with Mega Start Limited (“Mega Start”), a substantial shareholder and a company wholly owned by Mr. Chau Chit (“Mr. Chau”) (being the Co-Chairman of the Company and an executive Director), pursuant to which, the Company will allot and issue, and Mega Start will subscribe for, 90,000,000 subscription shares* at the Subscription Price;
- (iii) a convertible bond agreement with Mega Start, pursuant to which, the Company will issue, and Mega Start will subscribe for, a convertible bond in a principal amount of approximately HK\$24,000,000 (the “Convertible Bond”); and
- (iv) subscription agreements with eight investors (the “Investors”), each of whom is an independent third party and not related to each other, respectively, pursuant to which, the Company will allot and issue, and the Investors will subscribe for, a maximum of 690,000,000 subscription shares* at the Subscription Price (collectively, the “Shares and Convertible Bond Subscriptions”).

Management Discussion and Analysis (Continued)

On 3 February 2016, the Company completed the Shares and Convertible Bond Subscriptions. As a result, a total of 900,000,000 subscription shares* with aggregate nominal value of HK\$9,000,000 have been subscribed for cash and duly allotted and issued to the subscribers, included Mr. Dai, Mega Start and the Investors, and the Convertible Bond in the principal amount of HK\$24,000,000 has been subscribed for cash and duly issued to Mega Start. The aggregate net proceeds from the Shares and Convertible Bond Subscriptions are approximately HK\$289,000,000 after deducting relevant expenses raised. Details of the Shares and Convertible Bond Subscriptions and the intended uses of the net proceeds therefrom are set out in the Company's announcements dated 16 December 2015 and 3 February 2016 and the Company's circular dated 15 January 2016.

* The number of subscription shares represented the ordinary shares of the Company of HK\$0.01 each to be issued before the share subdivision as set out below. As set out in note 22, the conversion condition of the convertible bond was not satisfied that the mandatory conversion of the convertible bond shall not take place. The convertible bond shall be redeemed in full on the maturity date.

As of 31 March 2018, the net proceeds received were utilised as follows:

Intended application of the net proceeds	Amount to be utilised (HK\$ million)	Amount utilised at 31 March (HK\$ million)	Unutilised as at 31 March (HK\$ million)
Setting up of the production plant and ancillary facilities for the new graphene production business	20	(17)	3
Installation of production lines	110	(40)	70
Establishment of the product quality control and testing centre	60	(19)	41
Recruitment of professional staff for the graphene production business, and establishments of scientific laboratories jointly with governmental institutes and universities	20	(9)	11
General working capital for the Group	79	(20)	59
Total	289	(105)	184

SHARE SUBDIVISION

By an ordinary resolution passed at the extraordinary general meeting on 29 April 2016, each of the existing issued and unissued ordinary shares of approximately HK\$0.01 each in the share capital of the Company was subdivided into five ordinary shares of approximately HK\$0.002 each (the "Subdivided Shares") (the "Share Subdivision"). Upon the Share Subdivision having become effective on 3 May 2016 and at the date of this announcement, the Company's authorised share capital was approximately HK\$20,000,000 divided into 10,000,000,000 ordinary shares of approximately HK\$0.002 each, of which 6,000,000,000 ordinary shares were in issue and fully paid. Details of the Share Subdivision are set out in the Company's announcements dated 23 March 2016 and 29 April 2016 and the Company's circular dated 13 April 2016.

Management Discussion and Analysis (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Risks relating to graphene production segment

- (i) The graphene production business of the Group may not compete successfully as more and more companies are expected to enter into the graphene production business and start to engage in the research and development of the production and application of graphene. These companies may eventually be able to achieve research breakthroughs and produce graphene of similar or even higher quality compared to the graphene produced by the Group, or be able to produce it in a faster and more cost-effective way. There is no certainty that the Group will be able to compete successfully in the marketplace when the technology of producing high-quality graphene has become common.

Risks relating to constructions related and other segments

- (i) The Group's construction works are labour-intensive in nature. In the event that there is a significant increase in the costs and demand of labour, the Group's staff cost and/or subcontracting cost will increase and thus lower its profitability. On the other hand, if the Group or its subcontractors fail to retain the Group's existing labour and/or recruit sufficient labour in a timely manner to cope with the Group's existing or future projects, the Group may not be able to complete the Group's projects on schedule and within budget, the Group's operations and profitability may be adversely affected.
- (ii) The Group needs to estimate the time and costs involved in projects in order to determine the fee. There is no guarantee that the actual amount of time and costs would not exceed the Group's estimation during the performance of the jobs. The actual amount of time and costs involved in completing the jobs may be adversely affected by many factors, including adverse weather conditions, accidents, breakdown of machinery and equipment, unforeseen site conditions. Any material inaccurate estimation in the time and costs involved in a job may adversely affect the profit margin and results of operations of the Group.
- (iii) The projects undertaken by the Group are mostly on a case by case basis. As such, our revenue derived from such projects is not recurring in nature and we cannot guarantee that our customers will provide us with new business after the completion of the current projects. The Group has to go through the competitive tendering process to secure new project works. In the event we are unable to maintain business relationship with existing customers or unable to price our tender competitively, our business and hence our revenue will be adversely affected.

Management Discussion and Analysis (Continued)

Financial Risk

- (i) The Group adheres to prudent financial management principle in order to control and minimise financial and operational risks. The Group has certain portion of bank balances and cash denominated in currencies other than the functional currencies of the relevant entities to which they relate. In addition, the Group's sales and purchases are mainly transacted in Hong Kong dollar, United States dollar, Singapore dollar and Renminbi. The Group will, from time to time, review its foreign exchange position and market conditions to determine if any hedging is required. Similarly, the Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary.
- (ii) The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary. At 31 March 2018, the Group has obtained credit facilities from various banks of approximately HK\$162 million (as at 31 March 2017: approximately HK\$143 million). An amount of approximately HK\$127 million (as at 31 March 2017: approximately HK\$91.8 million) remained unutilised.

The financial risk management objectives and policies of the Group are shown in note 36 to the financial statements.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the end of each reporting period, the Group had provided the following guarantees:

	31 March 2018 HK\$'000	31 March 2017 HK\$'000
Guarantees in respect of performance bonds in favor of its clients	116,298	107,392

At the end of each reporting period, the Group had the following capital commitments:

	31 March 2018 HK\$'000	31 March 2017 HK\$'000
Contracted, but not provided for:		
Land and buildings	—	21,420
Plant and machinery	34,649	6,787
	34,649	28,207

Management Discussion and Analysis (Continued)

MOVEMENT OF INCOMPLETE CONTRACTS FOR THE YEAR ENDED 31 MARCH 2018

	31 March 2017	Contracts Secured	Contracts Completed	31 March 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Building Construction	670,924	417,940	(168,600)	920,264
Property Maintenance	1,842,081	339,801	(42,009)	2,139,873
Alteration, Renovation, Upgrading and Fitting-Out Works	603,716	425,260	(443,081)	585,895
	3,116,721	1,183,001	(653,690)	3,646,032

Building Construction segment

Contracts secured for the year ended 31 March 2018

Contracts	Commencement date	Contract value
		HK\$'000
Main contract works at nos.600–626, Shanghai Street, Mongkok, Kowloon, Hong Kong	May 2017	155,800
Proposed addition & alteration of existing SIMTech tower block for Nanyang Technological University, Singapore	September 2017	81,670
Proposed expansion, upgrading and retrofitting works to existing Moral Home for the Aged Sick at 1 Jalan Bilal, off Bedor Road, Singapore	January 2018	120,118
Main contract works for construction of proposed erection of a 5-storey Chinese temple at 15 Arumugam Road, Singapore	March 2018	60,352
Total		417,940

Management Discussion and Analysis (Continued)

Property Maintenance segment

Contracts secured for the year ended 31 March 2018

Contracts	Commencement date	Contract value HK\$'000
Term contract for the maintenance of slopes for Kowloon and Lantau Island, Hong Kong	October 2017	273,892
Term contract for the Building Department Works Contract 2018, Hong Kong	April 2018	63,900
Conversion of event pillar boxes to power safe panels at Marina Bay Sands, Singapore	April 2017	420
Office renovation at Marina Bay Sands, Singapore	July 2017	394
Addition and alteration works to hotel level 55 at Marina Bay Sands, Singapore	July 2017	170
Addition and alteration works to grand theatre and BOH areas at Marina Bay Sands, Singapore	July 2017	428
Office renovation works to casino at Marina Bay Sands, Singapore	July 2017	131
Installation of dismantling of event directories and MICE Exhibition Hall at Marina Bay Sands, Singapore	November 2017	466
Total		339,801

Management Discussion and Analysis (Continued)

Alterations, Renovation, Upgrading and Fitting-Out Works segment

Contracts secured for the year ended 31 March 2018

Contracts	Commencement date	Contract value HK\$'000
Pure Yoga fit-out works at Pacific Place, 88 Queensway, Admiralty, Hong Kong	May 2017	18,551
Main contract for asset enhancement works at Sam Shing Commercial Centre, Hong Kong	June 2017	24,480
Alteration and addition works at Yuen Long Industrial Estate, Yuen Long, Hong Kong	June 2017	9,500
Alteration and addition works for laboratories of the Hong Kong Polytechnic University, Hong Kong	June 2017	18,995
Fitout works for Rectangular Wings of Pao Yue-kong Library at the Hong Kong Polytechnic University, Hong Kong	June 2017	17,080
Main contract for renovation works at Hin Keng Shopping Centre, Hong Kong	August 2017	26,648
Fit-out works for airport staff resting lounges and relaxation corner in Terminal 1, Hong Kong International Airport, Hong Kong	July 2017	3,786
Renovation at St. Raphael's Catholic Cemetery, Kowloon, Hong Kong	September 2017	2,429
Main contract for proposed addition and alteration works to conversion of services apartment to office, Harbour City, Kowloon, Hong Kong	March 2018	261,929
Rectification works for houses at Tuen Mun, N.T., Hong Kong	January 2018	3,980
Alteration and addition works for a building at Yuen Long Industrial Estate, N.T., Hong Kong	January 2018	520
Replacement of external wall tiles at public transport interchange at Yeung Uk Road, Tsuen Wan, Hong Kong	February 2018	4,977
Design and build contract for renovation works at Academic Exchange Building of Institute for Advanced Study, Hong Kong	April 2018	26,451
Design and build contract for alteration and addition works for Hung Hom Bay Campus and West Kowloon Campus, Hong Kong	March 2018	4,773
Relocation of facilities from Kowloon Station Concourse to Elements, Hong Kong	March 2018	1,161
Total		425,260

Management Discussion and Analysis (Continued)

Building Construction segment

Contract completed for the year ended 31 March 2018

Contract	Commencement date	Completion date	Contract value HK\$'000
Proposed Research and Development Centre at Yuen Long Industrial Estate, N.T., Hong Kong	January 2015	May 2017	168,600
Total			168,600

Property Maintenance segment

Contracts completed for the year ended 31 March 2018

Contracts	Commencement date	Completion date	Contract value HK\$'000
Renovation of vacant quarters for The University of Hong Kong	August 2015	September 2017	40,000
Conversion of event pillar boxes to power safe panels at Marina Bay Sands, Singapore	April 2017	July 2017	420
Office renovation at Marina Bay Sands, Singapore	July 2017	August 2017	394
Office renovation works to Casino at Marina Bay Sands, Singapore	July 2017	September 2017	131
Addition and alteration works to hotel level 55 at Marina Bay Sands, Singapore	July 2017	December 2017	170
Addition and alteration works to grand theatre and BOH areas at Marina Bay Sands, Singapore	July 2017	October 2017	428
Installation of dismantling of event directories and MICE Exhibition Hall at Marina Bay Sands, Singapore	November 2017	March 2018	466
Total			42,009

Management Discussion and Analysis (Continued)

Alterations, Renovation, Upgrading and Fitting-Out Works segment

Contracts completed for the year ended 31 March 2018

Contracts	Commencement date	Completion date	Contract value HK\$'000
Creation of anchor stores on 4/F of Gateway II (Atrium I) in Harbour City, Kowloon, Hong Kong	August 2014	April 2017	158,821
Revamp of commercial areas at Level 6 West Hall of Terminal 1 for Hong Kong International Airport, Hong Kong	July 2015	April 2017	20,534
Roof extension of Li Ka Shing Tower at 18/F at the Hong Kong Polytechnic University, Hong Kong	April 2016	July 2017	18,294
Fitting out works for uniform sorting and auto-retrieval system at Dragonair and Cathay Cargo, Hong Kong	April 2016	July 2016	1,770
Supply and installation of high speed doors and associated works at Hong Kong International Airport, Hong Kong	August 2016	June 2017	3,259
Renovation works bread automation system for food factory, Tai Po Industrial Estate, Hong Kong	September 2016	April 2017	18,931
Fitout works for Rectangular Wings of Pao Yue-kong Library at the Hong Kong Polytechnic University, Hong Kong	June 2017	September 2017	17,080
Design and build of a new storeroom at Tai Tam campus of Hong Kong International School, Hong Kong	March 2017	September 2017	3,801
Pure Yoga fit-out works at Pacific Place, 88 Queensway, Admiralty, Hong Kong	May 2017	September 2017	18,551
Replacement of curtain wall and external wall painting at headquarters and flight training centre, Hong Kong	June 2015	February 2018	88,208
Facade rectification works at Headland Hotel Cathay City, Hong Kong	April 2016	July 2017	9,988
Renovation works at Tsz Wan Shan Shopping Centre, Kowloon, Hong Kong	November 2016	December 2017	52,400
Alteration and addition works for laboratories of the Hong Kong Polytechnic University, Hong Kong	June 2017	November 2017	18,995
Alteration and addition works at Yuen Long Industrial Estate, Yuen Long, Hong Kong	June 2017	December 2017	9,500
Renovation at St. Raphael's Catholic Cemetery, Kowloon, Hong Kong	September 2017	December 2017	2,429
Alteration and addition works for a building at Yuen Long Industrial Estate, N.T., Hong Kong	January 2018	March 2018	520
Total			443,081

Management Discussion and Analysis (Continued)

Overall

Contracts secured subsequent to 31 March 2018 and up to the date of the report

Contracts	Commencement date	Contract value HK\$'000
Alteration and addition cum fitting out works contract for the University Student Halls of Residence, Hong Kong	April 2018	5,239
Term contract for minor works 2018 for Kowloon East and Kowloon Central Clusters, Hospital Authority, Hong Kong	June 2018	915,039
Renovation works of VP office, lift lobby and automated swing door for disabilities usage at Marina Bay Sands, Singapore	April 2018	494
Wall protection for Grande Theatre, wardrobe rooms, dressing room at Marina Bay Sands, Singapore	April 2018	455
Alteration and addition works for security outdoor canopy at Marina Bay Sands, Singapore	April 2018	2,699
Renovation of the shop houses from unit 227 to 231 South Bridge Road, Singapore	May 2018	2,930
Total		926,856

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group employed a total of 248 staff (as at 31 March 2017: 315 staff) which included Hong Kong, Macau, Singapore and Mainland China employees. The total remuneration for staff was approximately HK\$87 million for Fy2018 (Fy2017: approximately HK\$107 million).

The Group establishes its remuneration policy by making reference to the prevailing market conditions and a performance-based reward system. It is to ensure that the Group is able to attract, retain and motivate executives of the highest caliber, essential to the successful leadership and effective management of the Group. The performance measures are balanced between financial and industrial comparatives. The components of remuneration package consist of basic salary, allowances, benefit-in-kind, fringe benefits including medical insurance and contributions to mandatory provident funds, as well as incentives like discretionary bonus. The Group also provides external training programmes which are complementary to certain job functions.

The remuneration packages of the senior management are recommended by the managing director of the respective company and approved by the Board by reference to their respective responsibilities and accountability, target achievements, business results and market competitiveness of the Group. The remuneration packages of the managerial and support staff are determined by the directors of the respective company.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

Details of important event of the Group after the financial year are set out in note 37 of the financial statements.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chau Chit (“Mr. Chau”), aged 53, was appointed as an executive Director of the Company on 22 July 2015 and the Chairman of the Board on 23 September 2015. On 1 March 2017, he was re-designated as co-chairman of the Board and was appointed as the chief executive officer of the Company. Mr. Chau is also the chairman of the nomination committee, a member of the remuneration committee, one of the authorised representatives and the director of certain subsidiaries of the Company. Mr. Chau currently serves as the chairman of the Hong Kong Jiangyin Trade Association and the vice president of Federation of HK Jiangsu Community Organisations Limited. He holds a bachelor’s degree in Chemistry from Zhejiang University and an EMBA degree (Executive Master of Business Administration) from Zhejiang University. Mr. Chau has extensive experience in operation management. He was an executive director, the managing director, and the chairman of the executive committee and a member of the investment committee of Shougang Concord Technology Holdings Limited (Now known as HNA International Investment Holdings Limited) (stock code: 0521) during June 2006 to October 2013. He has been an executive director of Starlight Culture Entertainment Group Limited (“Starlight Culture”, Formerly known as Jimei International Entertainment Group Limited (stock code: 1159) since July 2013 and was appointed as the chairman of the nomination committee of Starlight Culture on 31 May 2017.

Mr. Dai Jialong (“Mr. Dai”), aged 56, was appointed as an executive Director, the Co-Chairman of the Board and a member of both the nomination committee and the remuneration committee of the Company on 1 March 2017. He has been appointed as a consultant and chief technology officer of the Company on 3 February 2016. Mr. Dai graduated from Shanxi School of Economics with a major in international economics and trading. He has extensive knowledge in two-dimensional material production technology and has experience in developing relevant equipment. Mr. Dai is an expert in producing artificial mica (a two-dimensional material similar to graphene) and has invented as many as 50 patents relating to artificial mica. Building on his knowledge in two-dimensional material, Mr. Dai has also been studying graphene and conducting researches relating to graphene production method.

Mr. Dai is currently the Chairman of China Crystal New Material Holdings Co., Ltd (a company listed on Korea Exchange, stock code: 900250). During the period from January 2017 to August 2017, he held the position of executive director of Yat Shing Holdings Limited (a company listed on the Stock Exchange) (stock code: 3708). Mr. Dai is an executive director of China Non-Metallic Minerals Industry Association (“CNMIA”) and the vice president of the Professional Committee of Mica under CNMIA.

Mr. Xie Xiaotao (“Mr. Xie”), aged 38, was appointed as an executive Director on 3 October 2016 and member of both the nomination committee and the remuneration committee of the Company on 3 October 2016. Mr. Xie holds a double bachelor degree in International Economy and Trade and Energy and Power Engineering from Shanghai Jiao Tong University and a master degree in Finance and Economics from the University of Manchester. Currently, Mr. Xie is the deputy general manager of Jiangyin City Li Shang Transportation Services Co., Ltd. Mr. Xie has extensive working experience in the equity investment and consulting area.

Biographical Details of Directors and Senior Management (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tam Tak Kei Raymond (“Mr. Tam”), aged 55, was appointed as an independent non-executive Director on 19 December 2011. Mr. Tam is also the chairman of the audit committee and a member of both the nomination committee and the remuneration committee of the Company. Mr. Tam holds a Bachelor of Arts degree in accounting with computing from University of Kent at Canterbury, England and is an associate member of both the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tam was the financial controller of Blank Rome Solicitors & Notaries from June 2010 to September 2011 and Barlow Lyde & Gilbert from December 2002 to May 2010 and has over 20 years of professional accounting experience. Mr. Tam was an independent non-executive director of Digital Domain Holdings Limited (formerly known as Sun Innovation Holdings Limited) (stock code: 547) during the period from September 2009 to August 2013, Yin He Holdings Limited (formerly known as Zebra Strategic Holdings Limited) (stock code: 8260) during the period from June 2012 to September 2014, Tianjin Jinran Public Utilities Company Limited (formerly known as Tianjin Tianlian Public Utilities Company Limited (stock code: 1265) during the period from February 2011 to June 2015, Ngai Shun Holdings Limited (stock code: 1246) during the period from September 2013 to July 2015, and Beijing Enterprises Clean Energy Group Limited (formerly known as Jin Cai Holdings Company Limited) (stock code: 1250) during the period from June 2013 to July 2016, and the chief financial officer of King Force Security Holdings Limited (stock code: 8315) during the period from April 2014 to November 2014. He is currently an independent non-executive director of CNQC International Holdings Limited (formerly known as Sunley Holdings Limited) (stock code: 1240), Li Bao Ge Group Limited (stock code: 8102), and MEIGU Technology Holding Group Limited (stock code: 8349) and he is also engaged by Branding China Group Limited (stock code: 0863) as an external service provider to the company secretary. The shares of the above-mentioned ten companies are listed on the Stock Exchange.

Mr. Wong Kai Tung Simon (“Mr. KT Wong”), aged 51, was appointed as an independent non-executive Director on 12 November 2013. Mr. KT Wong is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Mr. KT Wong is the Founder and Partner of Tawau Capital Partners Limited, a company principally engaged in private equity/venture capital investments, management consultancy and financial advisory. Mr. KT Wong is an experienced banker and has over 20 years’ experience in the corporate and investment banking sector in Asia with Deutsche Bank AG, Hong Kong Branch, DBS Bank Limited, Hong Kong Branch, and Daiwa Securities SMBC Hong Kong Limited, where Mr. KT Wong was responsible for investment banking services in the Greater China Region. Mr. KT Wong was an independent non-executive director of GR Properties Limited (formerly known as Buildmore International Limited) (stock code: 108) from February 2014 to February 2015, and was the General Manager of Mergers and Acquisitions Department and the Head of Investor Relations of Brightoil Petroleum (Holdings) Limited (stock Code: 0933) from September 2011 to September 2012, the shares of both companies are listed on the Stock Exchange. Mr. KT Wong gained corporate finance, mergers and acquisitions and investor relations experience from a listed company perspective. Mr. KT Wong received an Executive MBA degree from Tsinghua University (Beijing, China) in 2013, Mr. KT Wong has also participated in the Young Managers Programme held at INSEAD (Fontainebleau, France) in 1998. Mr. KT Wong received a Bachelor of Arts degree and a Graduate Diploma in Management Consulting and Change from The University of Hong Kong in 1990 and 2008, respectively. Mr. KT Wong is a Certified Management Consultant (CMC), awarded by the Institute of Management Consultants Hong Kong (IMCHK).

Biographical Details of Directors and Senior Management (Continued)

Mr. Wong Wai Kwan (“Mr. WK Wong”), aged 50, was appointed as an independent non-executive Director, a member of the audit committee and the nomination committee of the Company on 22 July 2015. Mr. WK Wong holds a bachelor’s degree in Accountancy from City University of Hong Kong and a master’s degree in Business Administration from Washington University in St. Louis, U.S.A. He is a member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a fellow member of Certified Practising Accountants (Australia). Mr. WK Wong has extensive working experience in auditing and consulting areas, particularly in IPO exercise, risk management and mergers and acquisitions. During the period from August 1992 to March 2000 Mr. WK Wong was first employed by Ernst & Young’s Hong Kong office as Senior Accountant in its Assurance Department and then served in Ernst & Young’s Shanghai office as Manager in its Assurance Department. Mr. WK Wong served as the General Manager of the Financial Audit Department and the Managing Director of the Internal Audit Department of Shanghai Fosun High Technology (Group) Co., Ltd., a wholly-owned subsidiary of Fosun International Limited (Stock Code: 0656) from December 2011 to June 2016. Mr. WK Wong was a consultant of VideoMobile Co., Ltd (a former holding company of Vobile Group Limited (Stock Code: 3738), which is listed on the Stock Exchange) from July 2016 to June 2017. Currently Mr. WK Wong is the chief financial officer of ThinkTank Learning Holding Company.

Mr. WK Wong was an independent non-executive director, and a member of the audit committee, nomination committee and remuneration committee of Shougang Concord Technology Holdings Limited (Now known as HNA International Investment Holdings Limited) (Stock code: 0521) during the period from June 2010 to October 2013 and Mr. WK Wong was also an independent non-executive director and member of the audit committee, nomination committee, remuneration committee, and the investment steering committee of Starlight Culture from September 2013 to November 2014. On 31 May 2017, he was again appointed as independent non-executive director of Starlight Culture and was appointed as the chairman of the audit committee, a member of the nomination committee, the remuneration committee, the investment steering committee and the anti-money laundering committee of that company on the same date. On 21 June 2017, Mr. WK Wong was appointed as a non-executive director and a member of the audit committee of Vobile Group Limited (Stock Code: 3738).

SENIOR MANAGEMENT

Mr. Wong Law Fai (“Mr. LF Wong”), aged 58, is the managing director of Wan Chung Construction Company Limited. Mr. LF Wong was appointed as a director of the Company on 31 May 2011 and redesignated as an executive Director of the Company on 19 December 2011. Later Mr. LF Wong resigned as an executive Director, the chairman of the Board and authorised representative of the Company on 28 May 2013, and the chief executive officer of the Company on 10 September 2013. Mr. LF Wong has over 30 years of experience in the building construction industry of Hong Kong. Mr. LF Wong is a registered professional engineer (building) in Hong Kong, a registered professional surveyor (quantity surveying) in Hong Kong, a member of The Hong Kong Institution of Engineers, a member of The Hong Kong Institute of Surveyors, a member of The Chartered Institute of Building (the United Kingdom) and a member of The Royal Institution of Chartered Surveyors (the United Kingdom).

Biographical Details of Directors and Senior Management (Continued)

Mr. So Kwok Lam (“Mr. So”), aged 57, is the project director of Wan Chung Construction Company Limited and is a director of Wan Chung Construction Company Limited and Wan Chung Engineering Co., Limited. He was appointed as an executive Director on 19 December 2011 and resigned on 28 May 2013. Mr. So is responsible for formulating strategic planning, business development of the Group, reviewing and improving the internal management systems, management of construction projects in Hong Kong. Mr. So has over 30 years of experience in the building construction industry of Hong Kong. Mr. So was a member of the Contractors Registration Committee Panel and was also a member of the Contractors Registration Committee of the Buildings Department under the Buildings Ordinance (Chapter 123 of the laws of Hong Kong), (the “Building Ordinance”) from January 2009 to December 2012. Mr. So is a member of the Registered Contractors’ Disciplinary Board Panel of the Planning and Lands Branch, Development Bureau under the Building Ordinance since June 2014. Prior to joining the Group in 1993, Mr. So had been the project manager of Chevalier (Construction) Co Ltd from 1990 to 1993. He had also been working in Hsin Chong Construction Co Ltd from 1985 and left as an assistant contracts manager in 1990. Mr. So is a professional member of The Royal Institution of Chartered Surveyors (the United Kingdom), fellow members of The Hong Kong Institute of Construction Managers and the Chartered Institute of Building (the United Kingdom). Mr. So obtained a professional diploma in occupational safety and health from the School of Continuing Education of Hong Kong Baptist University in 2008, a postgraduate diploma in arbitration and dispute resolution from City University of Hong Kong in 2004, a master of arts in English for the professions from The Hong Kong Polytechnic University in 2007, and an associateship in building technology and management from Hong Kong Polytechnic (now renamed the Hong Kong Polytechnic University) in 1984.

Mr. Wong Chi Kin, Jesse (“Mr. Jesse Wong”), aged 55, is the commercial director of Wan Chung Construction Company Limited and is responsible for the Group’s strategic planning, corporate business development and management of construction projects in Hong Kong. Mr. Jesse Wong has been the representative of our Group in the Hong Kong Construction Association since 1999. Mr. Jesse Wong has been elected as the 68th and 69th council member of the Hong Kong Construction Association for 2015/2017 and 2017/2019 respectively. Mr. Jesse Wong has over 30 years of experience in the building construction industry of Hong Kong. Prior to joining the Group in 1996, Mr. Jesse Wong had held various positions in quantity surveying, including senior quantity surveyor of H.A. Brechin & Co between 1990 and 1994, quantity surveyor of Franklin & Andrews Construction Cost Management Consultants between 1989 and 1990 and trainee of Kumagai Gumi (H.K.) Limited between 1982 and 1985. Mr. Jesse Wong is a registered professional surveyor (Quantity Surveying) in Hong Kong and a fellow member of The Hong Kong Institute of Surveyors. Mr. Jesse Wong obtained a bachelor degree of science in quantity surveying from Southbank Polytechnic of London in 1989. Mr. Jesse Wong also received a master degree of business administration (executive) from the City University of Hong Kong in 2010.

Ms. Ma Pik Fung (“Ms. Ma”), aged 54, is the commercial director of Wan Chung Construction Company Limited and is responsible for the Group’s strategic planning, corporate business development, and management of construction projects in Hong Kong. Ms. Ma is also a director of Wan Chung Engineering (Macau) Company Limited and a director of Wan Chung Construction (Singapore) Pte. Ltd.. Ms. Ma is a registered professional surveyor (Quantity Surveying) in Hong Kong, a member of Hong Kong Institute of Surveyors and a professional associate of the Royal Institution of Chartered Surveyors (the United Kingdom).

Biographical Details of Directors and Senior Management (Continued)

Mr. Datuk Eng Son Yam (“Mr. Datuk Eng”), aged 65, is the managing director of Wan Chung Construction (Singapore) Pte. Ltd. (“Wan Chung Singapore”), responsible for the strategic planning and development of the Wan Chung Singapore. Mr. Datuk Eng has more than 30 years of experience in the building industry of Singapore and Malaysia. Mr. Datuk Eng had undertaken construction projects in housing, hospital, integrated resort and religious establishment. Mr. Datuk Eng has also endeavored in property development ventures in Singapore and Malaysia. Over the years, Mr. Datuk Eng has built up a strong network with key players in this industry. Mr. Datuk Eng was also active in social work particularly education for the young in Malacca (Datuk Eng’s birth place). In recognition of his contribution towards the local school, Mr. Datuk Eng was conferred “DSM Datuk” by the Governor of Malacca, Malaysia. Mr. Datuk Eng obtained a diploma in business administration from the Singapore Chinese Chamber Institute of Business in 2008. Mr. Datuk Eng completed an Executive Program on Oriental-Western Wisdom and Business Management at the School of Continuing Education, Tsinghua University in October 2013.

Mr. Tan Chwee Kee (“Mr. Tan”), aged 61, is the deputy managing director of Wan Chung Construction (Singapore) Pte. Ltd.. Mr. Tan has more than 30 years of experience in project management, property development, building design and construction. Prior to joining Wan Chung Singapore in August 2011, Mr. Tan was the project director of HLH Development Pte Ltd, a property development arm of SGX-ST listed group, HLH Group Limited. From 2005–2007, Mr. Tan was with Chip Eng Seng Corporation Ltd, a construction and property development group listed on the SGX-ST, as the assistant general manager of The Pinnacle@Duxton project, the first 50-storey high dense public housing project launched by the government. It was the winning design of an international design competition and features the sky gardens at mix storeys and top storey linking all the blocks together. Mr. Tan led the technical team and was instrumental in addressing the design issues of the technically challenging sky-gardens construction. Between 1995–2004, Mr. Tan was the CEO of Hong Lai Huat Construction Pte Ltd. Mr. Tan started his career as a structural engineer in The Housing and Development Board in 1982. Mr. Tan has a Bachelor Degree in Civil Engineering from The National University of Singapore and is a registered Professional Engineer with the Singapore Professional Engineer Board.

Mr. Au-yeung Lok Man (“Mr. Au-yeung”), aged 37, is the chief financial officer and the company secretary of the Company, as well as a director of certain subsidiaries of the Company. Mr. Au-yeung is one of the authorised representatives of the Company. Mr. Au-yeung has over 10 years’ experience in accounting, auditing, taxation, merger and acquisition. He was a principal in the audit and assurance department in RSM Hong Kong prior to joining the Company. Mr. Au-yeung is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor’s degree in Accountancy from the Hong Kong Polytechnic University.



Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 March 2018.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is Offices A and B, 18/F., Alliance Building, No. 130–136 Connaught Road Central, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group comprise (i) provision of building construction services, property maintenance services, alterations, renovation, upgrading and fitting-out works services, and (ii) graphene production and materials trading. The principal activities and other particulars of the subsidiaries of the Company are set out in note 1 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement and the Management Discussion and Analysis set out on pages 4 to 6 and pages 7 to 19 of this annual report, respectively. This discussion forms part of this directors' report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out in the five year financial summary on page 122 of this annual report. The summary does not form part of the audited financial statements.

RESULTS AND DIVIDEND

The Group's loss for the year ended 31 March 2018 and the Group's financial position as at 31 March 2018 are set out in the financial statements on pages 52 to 121.

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2018 (2017: Nil).

CONVERTIBLE BOND, FINANCE LEASE PAYABLE AND OTHER BORROWINGS

Particulars of a convertible bond, finance lease payable and other borrowings of the Group as at 31 March 2018 are set out in notes 22, 23 and 33(b) to the financial statements.

SHARE CAPITAL AND SHARE OPTION

There were no movement in the Company's share capital and share option during the year.



Directors' Report (Continued)

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at 31 March 2018, the Company's reserves available for distribution represent the share premium account less accumulated losses, amounted to approximately HK\$146,600,000.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 75.0% of the total sales. The top five suppliers accounted for approximately 42.4% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 38.8% of the total sales and the Group's largest supplier accounted for approximately 12.1% of the total purchases for the year.

At no time during the year ended 31 March 2018 have the then and current Directors of the Company, their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

CHARITABLE DONATIONS

During the year ended 31 March 2018, the Group made charitable donations amounting to HK\$15,000.

Directors' Report (Continued)

DIRECTORS

The directors of the Company during the year ended 31 March 2018 and up to the date of this Directors' report are:

Executive Directors:

Mr. Chau Chit (*Co-Chairman and Chief Executive Officer*)

Mr. Dai Jialong (*Co-Chairman*)

Mr. Xie Xiaotao

Non-executive Director:

Mr. Chen Guobao (resigned on 24 October 2017)

Independent Non-executive Directors:

Mr. Tam Tak Kei, Raymond

Mr. Wong Kai Tung, Simon

Mr. Wong Wai Kwan

By virtue of article 108(a) of the articles of association of the Company, Mr. Tam and Mr. KT Wong will retire. All retiring directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

PERMITTED INDEMNITY PROVISION

Permitted indemnity provisions (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company are currently in force and was in force during the year and at the date of this report.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the details of change in the Company's directorship since the date of the Interim Report for the period ended 30 September 2017 are set out below:

On 21 June 2017, Mr. WK Wong was appointed as a non-executive director and a member of the audit committee of Vobile Group Limited, shares of which was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited on 4 January 2018 (Stock Code: 3738).

Directors' Report (Continued)

DIRECTORS' SERVICE AGREEMENTS

Both Mr. Chau, an executive Director, and Mr. WK Wong, an independent non-executive Director, have entered into service agreements with the Company for a term of three years commencing from 22 July 2015, which may be terminated by either the Company or the other party by giving six months written notice or otherwise in accordance with the terms of the service agreements.

Mr. Tam, an independent non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 19 January 2017, which may be terminated by either the Company or Mr. Tam by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Mr. KT Wong, an independent non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 12 November 2016, which may be terminated by either the Company or Mr. KT Wong by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Mr. Xie Xiaotao, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 3 October 2016, which may be terminated by either the Company or Mr. Xie by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Mr. Dai Jialong, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 1 March 2017, which may be terminated by either the Company or Mr. Dai by giving six months written notice or otherwise in accordance with the terms of the service agreement.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the Directors and the five highest-paid individuals of the Group during the year ended 31 March 2018 are set out in notes 8 and 9 to the financial statements. The remuneration policy for Directors and senior management is set out in the Corporate Governance Report on page 40 of this annual report.



Directors' Report (Continued)

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme adopted by the written resolutions of the sole Shareholder passed on 19 December 2011 (the "Adoption Date"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

(b) Participants of the Share Option Scheme

The Board may, at its absolute discretion grant any employee (full-time or part-time), director (including executive, non-executive or independent non-executive directors), consultant or adviser of any member of the Group, or any substantial shareholder of any member of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group and any company wholly owned by one or more persons belonging to any of the aforesaid participants, options to subscribe for Shares at a price calculated in accordance with the paragraph below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(c) Total number of Shares available for issue under the Share Option Scheme

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

As at the date of this annual report, the outstanding number of options available for issue under the Share Option Scheme is 600,000,000 Shares, representing 10% of the issued share capital of the Company.

(d) The maximum entitlement of each participant under the Share Option Scheme

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

(e) Timing for exercising option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

Directors' Report (Continued)

(f) Period of acceptance of option

An offer made to a participant shall remain open for acceptance by the participant concerned for a period of 7 days from and inclusive of the date on which an option is offered to a participant.

(g) Payment of acceptance of option

The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

(h) The basis of determining the exercise price of option

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and
- (iii) the nominal value of a Share on the date of grant of the option.

(i) Duration of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date.

There is no option outstanding, granted, exercised, cancelled and lapsed during the year ended 31 March 2018.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2018 are set out in note 2.4 to the financial statements.

Directors' Report (Continued)

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

As at 31 March 2018, the interests or short positions of the Directors and chief executives of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as follows:

Name of Directors	Capacity	Number of shares held (note 1)	Percentage of the issued share capital of the Company (note 1)
Mr. Dai Jialong	Beneficial owner	730,000,000 (L)	12.17%
Mr. Chau Chit (note 2)	Interest of Controlled Corporation	600,000,000 (L)	10.00%
Mr. Xie Xiaotao	Beneficial owner	50,000,000 (L)	0.83%
Mr. Wong Wai Kwan	Beneficial owner	5,000,000 (L)	0.08%

Notes:

1. The letter "L" denotes the person's long position in such securities. The number of shares are the number of shares held as at 31 March 2018 and the percentage of the issued share capital of the Company is calculated on the basis of 6,000,000,000 shares in issue as at 31 March 2018.
2. Mr. Chau Chit, the executive Director, is the ultimate beneficial owner of Mega Start Limited ("Mega Start"). By virtue of the SFO, Mr. Chau Chit is deemed to be interested in the 600,000,000 Shares held by Mega Start.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the year ended 31 March 2018 was the Company, or any of its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the Shares, or underlying shares, or debentures, of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Directors' Report (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2018, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules of the Stock Exchange:

Name of Shareholders	Capacity	Number of Shares held (note 1)	Percentage of the issued share capital of the Company (note 1)
Mega Start Limited	Beneficial owner	600,000,000 (L)	10.00%
Fount Holdings Limited	Beneficial owner	475,000,000 (L)	7.92%
Mr. Tang Hao (note 2)	Interest of controlled corporation	475,000,000 (L)	7.92%
Earnstar Holding Limited	Beneficial owner	350,000,000 (L)	5.83%
Dungbao Limited (note 3)	Interest of controlled corporation	350,000,000 (L)	5.83%
Mr. Ma Zenglin (note 4)	Interest of controlled corporation	350,000,000 (L)	5.83%

Notes:

1. The letter "L" denotes the person's long position in such securities. The number of shares are the number of shares held as at 31 March 2018 and the percentage of the issued share capital of the Company is calculated on the basis of 6,000,000,000 shares in issue as at 31 March 2018.
2. Mr. Tang Hao owns the entire issued share capital of Fount Holdings Limited. By virtue of the SFO, Mr. Tang Hao is deemed to be interested in the 475,000,000 Shares held by Fount Holdings Limited.
3. Dungbao Limited owns the entire issued share capital of Earnstar Holding Limited. By virtue of the SFO, Dungbao Limited is deemed to be interested in the 350,000,000 Shares held by Earnstar Holding Limited.
4. Mr. Ma Zenglin owns the entire issued share capital of Dungbao Limited. By virtue of the SFO, Mr. Ma Zenglin is deemed to be interested in the 350,000,000 Shares held by Earnstar Holding Limited.

Save as disclosed above, as at 31 March 2018, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.



Directors' Report (Continued)

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 16 December 2015, the Company entered into a subscription agreement and a convertible bond agreement with Mega Start, a substantial shareholder and a company wholly owned by Mr. Chau Chit (being the co-chairman and chief executive officer of the Company and an executive Director of the Company). Further details of the transactions undertaken are included in the section of "Connected Transactions" below.

Save as disclosed above, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year ended 31 March 2018.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2018.

CONTRACT OF SIGNIFICANCE

No contract of significance in relation to the Group's in which the Company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 March 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2018, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CONFIRMATION OF INDEPENDENCE

The Company has received an annual confirmation of independence from each of the independent non-executive Directors during the reporting period namely, Mr. Tam, Mr. KT Wong and Mr. WK Wong, pursuant to Rule 3.13 of the Listing Rules and considers all of them were independent during the year ended 31 March 2018.

CONNECTED TRANSACTIONS

Save as disclosed in note 33 to the financial statements, there was no connected transaction during the year.



Directors' Report (Continued)

CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 35 to 46. The Directors believe the long term financial performance as opposed to short term rewards is a corporate governance objective. The Board would not take undue risks to make short term gains at the expense of the long term objectives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this annual report on the websites of the Company and the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year ended 31 March 2018 and as at the date of this annual report as required under the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 37 to the financial statements.

AUDITORS

Ernst & Young ("EY") will retire at the conclusion of the forthcoming annual general meeting of the Company ("AGM") and being eligible, offer themselves for re-appointment at the AGM. A resolution for the reappointment of EY as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chau Chit

Co-Chairman and Chief Executive Officer

Hong Kong, 28 June 2018

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the shareholders, customers and employees of the Company. During the year ended 31 March 2018, the Board had adopted the principles and the code provisions as set out in Corporate Governance Code and Corporate Governance Report (the “CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

In accordance with the requirements of the Listing Rules, the Company has established an audit committee, a remuneration committee and a nomination committee with specific written terms of reference and made such terms of reference available on the websites of the Stock Exchange and the Company.

Save as disclosed below, during the year ended 31 March 2018, the Company had complied with the CG Code as set out in Appendix 14 to the Listing Rules.

According to the code provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the year, 5 regular Board meetings were held.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. With effect from 1 March 2017, Mr. Chau Chit was the co-chairman of the Board of Directors of the Company and the chief-executive officer of the Company.

The Co-Chairmen are the positions in the Board to execute the administrative functions designated to the Co-Chairmen by the Board from time to time. As decided by the Board, Mr. Chau and Mr. Dai will take up the administrative functions of the Board in ensuring that the Board works effectively and performs its responsibilities. They act together to carry out and share the responsibilities of the role of the chairman of the Board. When a Co-Chairman proposed any matters to be considered in a Board meeting, the other Co-Chairman shall be responsible for, amongst other things, drawing up and approving the agenda for such Board meeting, preside the Board meeting and encouraging all directors to make a full and active contributions to the Board’s affairs to ensure that Board decisions fairly reflect Board consensus and the Board acts in the best interests of the Group. In respect of other duties and responsibilities of the chairman of the Board contemplated under the articles of association of the Company, A.2 of the CG Code and the Listing Rules (including Rule B.8 of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules), these will be taken up by Mr. Chau.

Besides, Mr. Dai, the other co-chairman, is primarily responsible for providing overall strategic plan in the development of the graphene business of the Group and Mr. Chau, who is the chief executive officer of the Company, carries out executive functions including day-to-day business and operations management of the Group.

Part A.2 of the CG Code set out the principle and code provision of the chairman and chief executive. It stipulated that there should be a clear division of the two key aspects of management, the management of the Board and the day-to-day management of business.

Corporate Governance Report (Continued)

Based on this principle, the Company adopts the above corporate governance measures to ensure a balance of power and authority, so that power is not concentrated in any one individual. The Board believes that the Co-Chairmen each acts as a check and balance on each other and that there is a clear understanding and expectation of the Board and within the Company as to the separation of roles and responsibilities of Mr. Chau and Mr. Dai. The Board also considered the composition of the Board and senior management of the Company, which comprises experienced and high calibre individuals. In view of the above, the Board believes that the balance of power and authority is adequately maintained to ensure that the overall interests of the Company and its shareholders are protected.

According to the code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive Directors and independent non-executive Directors without the executive Directors present. During the year ended 31 March 2018, the co-chairmen had met the non-executive Director and the independent non-executive Directors respectively and individually without the presence of other executive Directors.

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 (the “Model Code”). Specific enquiry has been made to each of the Directors and all Directors have confirmed that they had complied with the Model Code during the year ended 31 March 2018.

BOARD OF DIRECTORS

Composition of the Board of Directors

As at the date of this annual report, the Board consisted six Directors comprising three executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

Mr. Chau Chit (*Co-Chairman*)
Mr. Dai Jialong (*Co-Chairman*)
Mr. Xie Xiaotao

Independent non-executive Directors

Mr. Tam Tak Kei Raymond
Mr. Wong Kai Tung Simon
Mr. Wong Wai Kwan

The biographical details of all current Directors and senior management of the Company are set out on pages 20 to 24 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed “Biographical Details of Directors and Senior Management”, there is no financial, business, family or other material or relevant relationships among the members of the Board and/or the senior management during the reporting period.



Corporate Governance Report (Continued)

Functions of the Board

The principal functions of the Board are to consider and approve the overall business plans and strategies of the Group, develop and implement the corporate governance function, monitor the implementation of these policies and strategies and the management of the Company. The Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in the Group's business, the Board delegates the authority and responsibility for implementing the Group's policies and strategies.

Board Meetings and Board Practices

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association. All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

Directors' Appointment and Re-election

Both Mr. Chau, an executive Director, and Mr. WK Wong, an independent non-executive Director have entered into service agreements with the Company for a term of three years commencing from 22 July 2015, which may be terminated by either the Company or the other party by giving six months written notice or otherwise in accordance with the terms of the service agreements.

Mr. Tam, an independent non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 19 January 2017, which may be terminated by either the Company or Mr. Tam by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Mr. KT Wong, an independent non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 12 November 2016, which may be terminated by either the Company or Mr. KT Wong by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Mr. Xie, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 3 October 2016, which may be terminated by either the Company or Mr. Xie by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Mr. Dai, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 1 March 2017, which may be terminated by either the Company or Mr. Dai by giving six months written notice or otherwise in accordance with the terms of the service agreement.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

In compliance with the code provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment. By virtue of article 112 of the articles of association of the Company, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting of the Company. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Corporate Governance Report (Continued)

In compliance with the code provision A.4.2 of the CG Code, every director should be subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 108(a) of the articles of association of the Company, at each annual general meeting one-third of the directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring director shall be eligible for re-election.

Non-executive Director

The non-executive Director of the Company was appointed for a specific term, but subject to the relevant provisions of the Articles and Association of the Company or any other applicable laws whereby the Director shall retire from their office but become eligible for re-election. The non-executive Director is serving for a fixed term of not more than three years.

Independent non-executive Directors

The Company has three independent non-executive Directors to comply with Rule 3.10(1) and 3.10A of the Listing Rules. Furthermore, among the three independent non-executive Directors, both Mr. Tam and Mr. WK Wong have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. In accordance to Rule 3.13 of the Listing Rules, the Company has received from each of its independent non-executive Directors the written confirmation of his independence. The Company, based on such confirmation, considers, Mr. Tam, Mr. KT Wong and Mr. WK Wong to be independent.

According to the code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive Directors and independent non-executive Directors without the executive Directors present. During the year ended 31 March 2018, the chairman had met the non-executive Director and the independent non-executive Directors respectively and individually without the presence of other executive Directors.

Delegation of Powers

The Board delegates day-to-day operations of the Group to executive Directors and management of the Company with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management needs to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Directors' and Officers' Liabilities

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



Corporate Governance Report (Continued)

Continuing Professional Development

According to the code provision A.6.5 of the CG Code, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some Director's training courses for the Directors to develop and explore their knowledge and skills.

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. The Directors are continually updated on the legal and regulatory developments, as well as business and market changes, to facilitate the discharge of their responsibilities.

All Directors during the reporting period have participated in continuous professional development to develop and refresh their knowledge and skills through suitable trainings. The participation in such trainings is to ensure that their contribution to the Board remains informed and relevant.

BOARD COMMITTEES

Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 19 December 2011 with written terms of reference which were revised on 23 September 2015 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review the financial information and risk management of the Group, oversee the financial reporting process and internal control procedures of the Group, and oversee the relationship with the Company's external auditor.

The Audit Committee comprised three independent non-executive Directors, namely Mr. Tam (the chairman of the Audit Committee), Mr. KT Wong and Mr. WK Wong.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including reviewing the interim financial information for the six months ended 30 September 2017 and the consolidated financial statements and annual results for the year ended 31 March 2018.

During the year ended 31 March 2018, the Audit Committee held two meetings to review the audited consolidated financial statements for the year ended 31 March 2017, the unaudited consolidated financial statements for the six months ended 30 September 2017, the appointment of the auditor of the Company, and the internal control and corporate governance issues related to financial reporting of the Company. The Audit Committee also complied with the code provision C.3.3 of the CG Code to meet the auditors in absence of management for reviewing the internal control of the Company.

Corporate Governance Report (Continued)

Remuneration Committee

The remuneration committee of the Company (the “Remuneration Committee”) was established on 19 December 2011 with written terms of reference which were revised on 28 March 2012 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management remuneration, make recommendations to the Board on the remuneration of non-executive Directors and determine the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

The Remuneration Committee comprised three independent non-executive Directors, namely Mr. Tam, Mr. KT Wong (the chairman of the Remuneration Committee) and Mr. WK Wong, and three executive Directors, namely Mr. Chau, Mr. Dai and Mr. Xie.

During the year ended 31 March 2018, the Remuneration Committee held one meeting to, inter alia, review the remuneration packages of all Directors and senior management of the Company.

Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group’s remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group’s profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate the executive Directors by linking their compensation with performance as measured against corporate objectives achieved. Each of the executive Directors is entitled to the remuneration packages including basic salaries and discretionary bonuses.

The share option scheme of the Company (the “Share Option Scheme”) was adopted by the sole Shareholder by way of written resolution on 19 December 2011. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The Company believes that by offering the eligible persons a shareholding stake in the Company, the interests of the eligible persons and the Company will align and thereby the eligible persons will have additional incentives to improve the Company’s performance.

Details of the fees and other emoluments paid or payable to the Directors and the remuneration of the members of senior management by band for the year ended 31 March 2018 are set out in notes 8 and 9 to the consolidated financial statements contained in this Annual Report.

Corporate Governance Report (Continued)

Nomination Committee

The nomination committee of the Company (the “Nomination Committee”) was established on 19 December 2011 with written terms of reference which were revised on 28 March 2012 and 26 August 2013 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board succession.

The Board is empowered under the Company’s articles of association to appoint any person as a director either to fill a casual vacancy or, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship to the Shareholders having regards to the balance of skills and experience appropriate to the Group’s business.

During the year ended 31 March 2018, the Nomination Committee formulated the board diversity policy of the Company (the “Board Diversity Policy”). The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board’s composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

The Nomination Committee comprised three independent non-executive Directors, namely Mr. Tam, Mr. KT Wong and Mr. WK Wong, and three executive Directors, namely Mr. Chau (the chairman of the Nomination Committee), Mr. Dai and Mr. Xie.

During the year ended 31 March 2018, the Nomination Committee held one meeting to, inter alia, review the structure, size and composition of the Board, assess the independence of independent non-executive Directors, make recommendations to the Board on the appointment of Directors and assess the Board Diversity Policy.

Corporate Governance Functions

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the policies and practices on corporate governance of the Group and make recommendations;
- to review and monitor the training and continuous professional development of Directors and senior management; and
- to review and monitor the Group’s policies and practices on compliance with legal and regulatory requirements.

Corporate Governance Report (Continued)

ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 March 2018 is set out in the table below:

Name of Director	Number of meetings attended/entitled to attend						Type of training
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting	
Executive directors							
Mr. Chau Chit	5/5	n/a	1/1	1/1	1/1	n/a	B
Mr. Dai Jialong	2/5	n/a	1/1	1/1	0/1	n/a	B
Mr. Xie Xiaotao	5/5	n/a	1/1	1/1	1/1	n/a	B
Non-executive Director							
Mr. Chen Guobao (resigned on 24 October 2017)	2/3	n/a	1/1	1/1	1/1	n/a	B
Independent Non-executive Directors							
Mr. Tam Tak Kei Raymond	5/5	2/2	1/1	1/1	1/1	n/a	A and B
Mr. Wong Kai Tung Simon	5/5	2/2	1/1	1/1	1/1	n/a	A and B
Mr. Wong Wai Kwan	5/5	2/2	1/1	1/1	1/1	n/a	A and B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Apart from regular Board meetings, the co-chairmen also held meetings with the independent non-executive Directors without the presence of executive Directors during the year ended 31 March 2018.

Corporate Governance Report (Continued)

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. 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 consolidated financial statements 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 statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's Remuneration

During the year ended 31 March 2018, the remuneration paid or payable to the auditor of the Company, Ernst & Young, in respect of their audit and non-audit services was as follows:

	HK\$
Audit service fee	1,400,000
Non-audit service fee	369,000
Total	1,769,000

The amount of fee incurred for the non-audit services arises from (i) tax services; and (ii) the review of interim financial information for the six months ended 30 September 2017.

Risk Management and Internal Control Responsibility

The Board has the overall responsibility to ensure that sound and effective risk management and internal control systems are maintained. Management is responsible for designing, implementing and monitoring the risk management and internal control systems to manage risks. Sound and effective risk management and internal control systems are designed to identify and manage the risk of failure to achieve business objectives. The Group's risk management process include risk assessment, which constitutes the sub-processes of risk identification, analysis, evaluation, mitigation, reporting and monitoring. The Group also adopt a risk whistle-blowing policy to uphold honesty, integrity and fair play as our core values of the Group at all times.

The Group's internal control model is based on that set down by the Committee of Sponsoring Organisations of the U.S. Treadway Commission ("COSO") for internal controls, and has five components, namely Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In developing the Group's internal control model based on the COSO principles, management has taken into consideration the Group's organisational structure and the nature of its business activities.

Corporate Governance Report (Continued)

The Group's Internal Audit Department (the "IA Department") has been established with direct reporting to the Audit Committee. The IA Department has rights to access all records, assets and personnel as stipulated in the Internal Audit Charter. The IA Department follows a risk-based approach to formulate the audit plan. The risks for departments and business units are assessed using the pre-determined risk criteria. The assessment results are consolidated and ranked from an enterprise-wide perspective. The Audit Committee reviews and approves annually the audit plan, which is formulated based on the risk assessment result. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee. The IA Department monitors the followup actions agreed upon in response to recommendations.

Review of Risk Management and Internal Control Effectiveness

During the year, the Audit Committee supports the Board in monitoring the Group's risk exposures, the design and operating effectiveness of the underlying risk management and internal control systems by oversees the following processes:

- (i) regular reviews of the principal business risks, and control measures to mitigate, reduce or transfer such risks; the strengths and weaknesses of the overall internal control system and action plans to address the weaknesses or to improve the assessment process;
- (ii) regular reviews of the business process and operations reported by the Internal Audit Department, including action plans to address the identified control weaknesses and status update and monitor in implementing its recommendations; and
- (iii) regular reports by the external auditors of any control issues identified in the course of their work and the discussion with the external auditors of the scope of their respective review and findings.

The Audit Committee will then report to the Board after due review of the effectiveness of the Group's risk management and internal control systems. The Board considers the works and findings of the Audit Committee in forming its own view on the effectiveness of these systems.

INVESTORS AND SHAREHOLDERS RELATIONS

The Company values communication with the Shareholders and investors. The Company uses two-way communication channels to account to Shareholders and investors for the performance of the Company. Enquiries and suggestions from Shareholders or investors are welcomed, and enquires from Shareholders may be put to the Board through the following channels to the company secretary of the Company (the "Company Secretary"):

1. By mail to the Company's principal place of business at Unit A&B, 18/F., Alliance Building, 130-136 Connaught Road Central, Hong Kong;
2. By telephone number 2283 0200;
3. By fax number 2283 0270; or
4. By email at info@visionfame.com



Corporate Governance Report (Continued)

The Company uses a number of formal communications channels to account to Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channels between the Company and its Shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the Shareholders in respect of all share registration matters.

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

The Company strives to take into consideration its Shareholders' views and inputs, and address Shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The co-chairmen of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer Shareholders' questions on the Group's businesses at the meeting. To comply with code provision E.1.2 of the CG Code, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

All Shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by Shareholders. According to article 64 of the articles of association of the Company, one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings may request an extraordinary general meeting. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If a Shareholder wishes to propose a person for election as a Director at a general meeting, he/she shall deposit a written notice at the Company's head office and principal place of business of the Company at Offices A and B, 18/F., Alliance Building, No. 130-136 Connaught Road Central, Hong Kong or at the Hong Kong branch share registrar and transfer office of the Company at Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong:

- a notice in writing by the Shareholder indicating the intention to propose a person for election as a Director; and
- a notice in writing by the person proposed by the Shareholder for election as a Director indicating his/her willingness to be elected.

The minimum length of the period, during which such notices may be given, will be at least 7 days.

The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

The Board has established a shareholders' communication policy on 28 March 2012 and reviews it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.



Corporate Governance Report (Continued)

In order to promote effective communication, the Company also maintains a website (www.visionfame.com) which includes the latest information relating to the Group and its businesses.

COMPANY SECRETARY

Mr. Au-yeung has been appointed as the Company Secretary since 3 October 2016. Mr. Au-yeung reports to the co-chairmen directly and is responsible to the Board for ensuring that the Board procedures, applicable laws, rules and regulations are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of the Directors.

According to the Rule 3.29 of the Listing Rules, Mr. Au-yeung has taken no less than 15 hours of relevant professional training for the year ended 31 March 2018.

Independent Auditor's Report



To the shareholders of Vision Fame International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Vision Fame International Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 52 to 121, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report (Continued)

Key audit matter

How our audit addressed the key audit matter

Revenue recognition for construction contracts

The Group has accounted for its revenue from construction contracts by applying the percentage-of-completion method. For the year ended 31 March 2018, the Group recognised revenue from construction contracting businesses amounting to HK\$530 million. This involves the use of significant management judgements and estimates, including estimating the progress towards completion of the constructions and the forecasts in relation to costs to complete using key assumptions such as duration of the project, preliminary expenses and subcontracting costs.

The significant judgements and estimates are included in note 3 to the financial statements.

To address the key audit matter, we evaluated the significant judgements made by management, through an examination of project documentation, key contracts and variation orders, and discussion of the status of projects under construction with management, finance and technical personnel of the Group. We tested the controls of the Group over its processes to record contract costs and contract revenues and the calculation of the stage of completion. Our testing also included checking the payment certificates issued by the contract customers on a sampling basis and assessing management's budgeted costs by checking to the subcontractors' quotation, comparing the total actual costs incurred with the latest expected costs and checking the subsequent claims issued by subcontractors.

Provision of expected loss from construction contracts

The Group regularly reviews and, where appropriate, adjusts the budgeted costs of each construction project based on work progress and considerations over the changes in scope of construction and estimates the amount of foreseeable losses or attributable profits of each construction contract after considering any claims, disputes and liquidation damages. When it is probable that total contract costs will exceed total contract revenue which indicates an impairment, the expected loss is recognised as an expense immediately. The calculation for the total contract profits or contract losses involves significant estimations and judgements made by management in relation to the budgeted costs and the possible outcome of any claims, disputes and liquidation damages.

The significant judgements and estimates are included in note 3 to the financial statements.

We selected and reviewed material construction contracts, interviewed the Group's project managers regarding preparation and approval processes for the budgeted cost of these construction contracts, and reviewed their budgets by checking to the subcontractors' quotations, comparing the total actual costs incurred with the latest expected costs and checking the subsequent claims issued by subcontractors. Our testing also included checking to supporting documents including variation orders and a review of correspondences between the Group, contract customers and subcontractors in respect of any changes on revenue and budgeted costs arising from the changes in scope of construction, claims, disputes and liquidation damages.

Independent Auditor's Report (Continued)

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of trade receivables and retention monies receivables

As at 31 March 2018, the Group recorded trade receivables and retention monies receivables with gross amounts of HK\$254 million and HK\$53 million, respectively, and provision for impairment on trade receivables of HK\$11 million. Management performs an impairment assessment on a regular basis, with the impairment provision estimated through the application of judgement and use of subjective assumptions, such as the customers' creditworthiness, customers' current financial ability and ageing analysis.

We assessed and tested the Group's processes and controls relating to the monitoring of trade receivables, retention monies receivables and the granting of credit terms. We evaluated the inputs and assumptions used by management in their impairment assessment, including those aged receivables or amounts in dispute, by checking to the payment history, ageing of the receivables, the subsequent settlement of the receivables and other relevant information.

The significant accounting judgements and estimates and disclosures about the balances of trade receivables and retention monies receivables are included in notes 3 and 16 to the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

Independent Auditor's Report (Continued)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report (Continued)

- 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.

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Chan Sai Yu.

Ernst & Young

Certified Public Accountants

22/F
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

28 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
REVENUE	5	1,209,103	1,507,561
Cost of sales		(1,140,357)	(1,444,903)
Gross profit		68,746	62,658
Other income and gains	5	10,268	19,021
Administrative expenses		(64,569)	(74,124)
Research and development costs		(9,109)	(2,770)
Other operating expenses		(15,756)	—
Finance costs	7	(8,340)	(3,584)
Share of loss of an associate		—	(113)
PROFIT/(LOSS) BEFORE TAX	6	(18,760)	1,088
Income tax expense	10	(3,612)	(1,233)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(22,372)	(145)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value	13	(2,098)	2,007
Reclassification adjustment for losses included in the consolidated statement of profit or loss and other comprehensive income:			
— impairment losses		91	—
		(2,007)	2,007
Exchange differences:			
Exchange differences on translation of foreign operations		33,764	(20,805)
Reclassification adjustment for deregistration of foreign operations during the year		—	(681)
		33,764	(21,486)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		31,757	(19,479)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		31,757	(19,479)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		9,385	(19,624)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	11	(HK0.37 cent)	(HK0.002 cent)
Diluted		(HK0.37 cent)	(HK0.002 cent)

Consolidated Statement of Financial Position

31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	100,401	44,982
Available-for-sale investments	13	3,530	8,655
Prepayments, deposits and other receivables	17	14,842	6,375
Total non-current assets		118,773	60,012
CURRENT ASSETS			
Inventories	14	345	—
Gross amount due from contract customers	15	9,741	10,785
Trade receivables	16	295,413	368,603
Prepayments, deposits and other receivables	17	89,955	123,296
Available-for-sale investments	13	20,033	14,099
Tax recoverable		125	1,769
Pledged bank deposits and restricted cash	18	57,651	54,456
Cash and cash equivalents	18	245,619	406,057
Total current assets		718,882	979,065
CURRENT LIABILITIES			
Gross amount due to contract customers	15	12,267	7,561
Trade payables	19	195,676	353,658
Other payables and accruals	20	22,512	75,183
Amounts due to related parties	33(b)	39	36,655
A loan from a related party	33(b)	20,559	—
Tax payable		2,917	1,548
Interest-bearing bank and other borrowings	21	9,759	1,086
Total current liabilities		263,729	475,691
NET CURRENT ASSETS		455,153	503,374
TOTAL ASSETS LESS CURRENT LIABILITIES		573,926	563,386
NON-CURRENT LIABILITIES			
A convertible bond	22	16,383	14,323
Loans from a related party	33(b)	243,009	243,009
Interest-bearing bank and other borrowings	21	—	905
Other payables and accruals	20	487	487
Total non-current liabilities		259,879	258,724
Net assets		314,047	304,662

Consolidated Statement of Financial Position (Continued)

31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	25	12,000	12,000
Equity component of a convertible bond	22	11,746	11,746
Other reserves	27	290,301	280,916
<hr/>			
Total equity		314,047	304,662

Chau Chit
Director

Xie Xiaotao
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2018

	Issued capital	Share premium account (note i)	Equity component of a convertible bond	Exchange reserve	Capital reserve (note ii)	Legal reserve (note iii)	Available- for-sale investments revaluation reserve	Other reserve (note iv)	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016	12,000	300,824	11,746	6,506	3,642	12	—	22,000	(32,444)	324,286
Loss for the year	—	—	—	—	—	—	—	—	(145)	(145)
Other comprehensive income/ (loss) for the year:										
Change in fair value of available-for-sale investments	—	—	—	—	—	—	2,007	—	—	2,007
Exchange differences related to foreign operations	—	—	—	(21,486)	—	—	—	—	—	(21,486)
Total comprehensive income/ (loss) for the year	—	—	—	(21,486)	—	—	2,007	—	(145)	(19,624)
At 31 March 2017 and 1 April 2017	12,000	300,824	11,746	(14,980)	3,642	12	2,007	22,000	(32,589)	304,662
Loss for the year	—	—	—	—	—	—	—	—	(22,372)	(22,372)
Other comprehensive income/ (loss) for the year:										
Change in fair value of available-for-sale investments	—	—	—	—	—	—	(2,007)	—	—	(2,007)
Exchange differences related to foreign operations	—	—	—	33,764	—	—	—	—	—	33,764
Total comprehensive income/ (loss) for the year	—	—	—	33,764	—	—	(2,007)	—	(22,372)	9,385
At 31 March 2018	12,000	300,824*	11,746	18,784*	3,642*	12*	—*	22,000*	(54,961)*	314,047

* These reserve accounts comprise the consolidated other reserves of approximately HK\$290,301,000 (2017: approximately HK\$280,916,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity (Continued)

Year ended 31 March 2018

Notes:

- (i) Under the Companies Law, Cap. 22 (Law 6 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.
- (ii) Capital reserve comprises the following in prior years:
- Wan Chung Construction Company Limited ("Wan Chung Construction") acquired the entire equity interest in Wan Chung Property Company Limited from its then shareholder at a discount of approximately HK\$2,776,000 which was deemed to be capital contribution from the owners of the Company.
 - Wan Chung Construction recovered indemnified taxation of approximately HK\$866,000 from its former shareholder pursuant to the deed of indemnity which was deemed to be capital contribution from the owners of the Company.
- (iii) In accordance with the provisions of Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer 25% of its annual net profit to a legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve is not distributable to shareholders. No transfer was made in current and prior years as the subsidiary incurred a loss for both years.
- (iv) Other reserve represents the difference between the nominal value of the issued share capital of the subsidiaries acquired and the consideration paid pursuant to the group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in January 2012.

Consolidated Statement of Cash Flows

Year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(18,760)	1,088
Adjustments for:			
Finance costs	7	8,340	3,584
Bank interest income	5	(3,380)	(2,388)
Interest income from sub-contractors	5	(4,591)	(4,119)
Investment income from available-for-sale investments	5	(266)	—
Share of loss from an associate		—	113
(Gain)/loss on disposal of items of property, plant and equipment	6	728	(2,373)
Depreciation	6	10,812	6,512
Impairment loss on available-for-sale investments	6	3,474	—
Impairment loss on trade receivables	6	11,000	—
Gain on deregistration of subsidiaries	5	—	(681)
		7,357	1,736
Increase in inventories		(326)	—
Decrease in a gross amount due from contract customers		1,795	16,285
Decrease/(increase) in trade receivables		67,680	(39,861)
Decrease in prepayments, deposits and other receivables		35,762	2,897
Increase in a gross amount due to contract customers		4,462	3,793
Increase/(decrease) in trade payables		(160,690)	47,426
Increase/(decrease) in other payables and accruals		(55,788)	42,044
Cash generated from/(used in) operations		(99,748)	74,320
Hong Kong tax paid		(587)	(2,892)
Overseas tax paid		(12)	(934)
Net cash flows from/(used in) operating activities		(100,347)	70,494
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(62,074)	(40,327)
Proceeds from disposal of items of property, plant and equipment		1,127	5,963
Interest received		3,380	2,388
Increase in non-pledged time deposits with original maturity of over three months when acquired		(14,551)	(116,153)
Investment in available-for-sale investments		(20,033)	(17,482)
Proceeds from disposal of an available-for-sale investment		14,365	—
Proceeds upon deregistration of an associate		—	459
Increase/(decrease) in time deposits with original maturity of over three months when acquired, pledged as security for bank facilities		(36,339)	18,953
Net cash flows used in investing activities		(114,125)	(146,199)

Consolidated Statement of Cash Flows (Continued)

Year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loan		9,120	—
Repayment of bank and other borrowings		(1,743)	(2,103)
Interest paid		(55)	(90)
Movement in balances with related parties		(22,018)	11
Net cash flows used in financing activities		(14,696)	(2,182)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(229,168)	(77,887)
Cash and cash equivalents at beginning of year		323,456	418,351
Effect of foreign exchange rate changes, net		7,988	(17,008)
CASH AND CASH EQUIVALENTS AT END OF YEAR		102,276	323,456
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	42,076	274,655
Non-pledged time deposits with original maturity of less than three months when acquired		60,200	21,700
Non-pledged time deposits with original maturity of over three months when acquired		143,689	116,153
Restricted cash with original maturity of less than three months when acquired, restricted for bank facilities	18	(346)	(6,451)
Cash and cash equivalents stated in the consolidated statement of financial position	18	245,619	406,057
Time deposits with original maturity of less than three months when acquired, pledged as security for bank facilities		—	27,101
Restricted cash with original maturity of less than three months when acquired, restricted for banking facilities	18	346	6,451
Non-pledged time deposits with original maturity of over three months when acquired		(143,689)	(116,153)
Cash and cash equivalents as stated in consolidated statement of cash flows		102,276	323,456

Notes to Financial Statements

31 March 2018

1. CORPORATE AND GROUP INFORMATION

Vision Fame International Holding Limited (the “Company”) was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands as an exempted company with limited liability. The registered office address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

During the year, the Group was involved in the following principal activities:

- Provision of building construction services, property maintenance services, alterations, renovation, upgrading and fitting-out works services; and
- Graphene production and trading of materials

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration/ and business	Issued/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Prosper Ace Investments Limited*	British Virgin Island (“BVI”)	US\$10,000	100	—	Investment holding
Wan Chung Construction Company Limited	Hong Kong	HK\$88,000,000	—	100	(note i)
Wan Chung Engineering (Macau) Company Limited*	Macau	MOP25,000	—	100	Dormant
Wan Chung Construction (Singapore) Pte. Limited*	Singapore	SGD14,700,000	—	100	(note i)
Wan Chung Engineering Company Limited	Hong Kong	HK\$10,000	—	100	(note ii)
Vision Foundation Pte. Ltd.*	Singapore	SGD500,000	—	100	Provision of foundation and building construction works
Greatwall Energy Holdings (Hong Kong) Limited	Hong Kong	HK\$10,000	—	100	Investment holding
China Estate International Limited	Hong Kong	HK\$1	—	100	Investment holding

Notes to Financial Statements (Continued)

31 March 2018

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Smart Sky Hong Limited*	BVI	US\$1	—	100	Investment holding
上海衡途金屬貿易有限公司 Shanghai Hengtuo Metal Trading Company Limited (note iii)*	The People's Republic of China ("PRC")/ Mainland China	HK\$100,000	—	100	Dormant
中置國際(青島)地產管理 有限公司 China Worth International (Qingdao) Real Estate Management Limited (note iii)*	PRC/Mainland China	US\$500,000	—	100	Dormant
無錫泰科納米新材料 有限公司 Wuxi Taike Nano New Material Co. Ltd (note iii)*	PRC/Mainland China	HK\$500,000,000	—	100	Graphene production and trading of materials
China Carbon Valley Technology Group Limited	Hong Kong	HK\$1	—	100	Investment holding and provision of management services
Prosperous Star Limited*	Republic of Seychelles	US\$1	—	100	Property holding

Notes:

- (i) The principal activities of these subsidiaries consisted of the provision of property maintenance services, building construction works, and alterations, renovation, upgrading and fitting-out works.
- (ii) The principal activities of this subsidiary consisted of the provision of building construction works and alterations, renovation, updating and fitting-out works.
- (iii) Wholly-foreign-owned enterprises under laws of the People's Republic of China (the "PRC").

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements (Continued)

31 March 2018

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain available-for-sale investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to Financial Statements (Continued)

31 March 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs</i> <i>2014–2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

None of the above amendments to HKFRSs has had a significant financial effect on the financial statements. Disclosure has been made in note 28(b) to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts¹</i>
HKFRS 9	<i>Financial Instruments¹</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers¹</i>
HKFRS 16	<i>Leases²</i>
HKFRS 17	<i>Insurance Contracts³</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement²</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures²</i>
Amendments to HKAS 40	<i>Transfers of Investment Property¹</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments²</i>
<i>Annual Improvements 2014–2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28 ¹
<i>Annual Improvements 2015–2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 ²

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

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

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

⁴ No mandatory effective date yet determined but available for adoption

Notes to Financial Statements (Continued)

31 March 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 April 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018. During the year, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available-for-sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised. Debt investments currently held as available-for-sale will be measured at fair value through profit or loss as they were intended to be held for an indefinite period of time and which maybe sold in response to needs, for liquidity or in response to changes in market conditions.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

Notes to Financial Statements (Continued)

31 March 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 April 2018. The Group expects that the transitional adjustment to be made on 1 April 2018 upon initial adoption of HKFRS 15 will not be material. However, the expected changes in accounting policies, as further explained below, will have a material impact on the Group's financial statements from 2018 onwards. During the year, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

Notes to Financial Statements (Continued)

31 March 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The Group's principal activities consist of the provision of building construction services, repairs, maintenance, addition and alteration works, and trading of materials and graphene. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(a) Construction contracts

The Group provides building construction services. Under HKFRS 15, revenue is recognised over time or at a point in time while under HKAS 11 contract revenue is recognised by reference to the percentage of completion. The Group expects that revenue will continue to be recognised as the contract progresses, broadly similar to the method under HKAS 11. In addition, a construction contract that contains two or more distinct performance obligations would be accounted for separately and this likely will have an impact on the pattern of revenue and profit recognition.

(b) Trading of materials and graphene production business

The Group provides trading of materials and graphene production business. Upon adoption of HKFRS 15, revenue from sale of materials will be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. During the year, the Group has performed an assessment on the impact of the adoption of HKFRS 15 for trading of materials and graphene production business, and concluded that no material financial impact exists.

(c) Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 11 and HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Notes to Financial Statements (Continued)

31 March 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 April 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 31 to the financial statements, at 31 March 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK\$2,777,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Notes to Financial Statements (Continued)

31 March 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 April 2018. The interpretation is expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its available-for-sale investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than construction contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	4%
Leasehold improvements	Over the shorter of lease terms or 20% to 33%
Furniture, fixtures and equipment	10% to 33%
Computers	33%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other operating expenses for receivables.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, amounts due to related parties, loans from a related party, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Cash and cash equivalents

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and a joint venture when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;
- (b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (d) dividend income, when the shareholders' right to receive payment has been established.

Construction contracts

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

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured either by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract or to the percentage of certified work performed to date to the estimated total sum of the relevant contracts.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 26 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

Under the laws of Singapore, certain subsidiaries of the Company make contributions to the state pension scheme, the Central Provident Fund (“CPF”). The subsidiaries of the Company in Singapore are required to contribute certain percentages of the monthly salaries of their current employees to the CPF.

Employees employed by the Company’s subsidiary in the Macau Special Administrative Region (“MSAR”) are members of government-managed retirement benefit schemes operated by the MSAR government and this subsidiary is required to pay a monthly fixed contribution to the retirement benefit schemes to fund the benefits.

The employees of the Group’s subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to Financial Statements (Continued)

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, an associate and a joint venture are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Notes to Financial Statements (Continued)

31 March 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Contingent liabilities in respect of legal claims

The Group has been engaged in a number of legal claims in respect of certain construction works. Contingent liabilities arising from these legal claims have been assessed by management with reference to legal advice. The directors of the Company considered that adequate provision in respect of the litigations is made after due consideration of each case and with reference to legal opinion.

Estimation uncertainty

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of unrecognised tax losses arising in Hong Kong, Singapore and Mainland China at 31 March 2018 were approximately HK\$23,260,000 (2017: approximately HK\$4,576,000), approximately HK\$35,739,000 (2017: approximately HK\$42,590,000) and approximately HK\$18,258,000 (2017: approximately HK\$2,704,000), respectively. Further details are contained in note 24 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies an asset as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assessments about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. During the year, an impairment loss of approximately HK\$3,383,000 has been recognised for available-for-sale financial assets, and another impairment loss of approximately HK\$91,000 recognised for available-for-sale financial assets has been reclassified from the other comprehensive income (2017: no impairment of loss). The carrying amount of available-for-sale financial assets carried at fair value was approximately HK\$23,563,000 (2017: approximately HK\$19,371,000). Further details are contained in note 13 to the financial statements.

Notes to Financial Statements (Continued)

31 March 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Construction contracts revenue recognition and provision of expected losses from construction contracts

The Group recognises contract revenue and profit of a construction contract according to management's estimation of the total outcome of the construction contract as well as percentage of completion of construction works based on contract costs incurred. When it is probable that total contract costs will exceed total contract revenue which indicates an impairment, the expected loss is recognised as an expense immediately.

In estimating the total outcome, the Group determines the amount of attributable profit or foreseeable losses from construction contracts based on the latest available budgets of those construction contracts with reference to the overall performance of each construction contract which requires management's best estimates and judgements of construction revenue and costs. Construction revenue is estimated in accordance with the terms set out in the relevant contracts. Variations in contract works, claims and incentive payments are included to the extent that they have been agreed with the customer and are capable of being reliably measured. Construction costs which mainly comprise preliminary expenses and subcontracting costs are estimated by management on the basis of quotations from time to time provided by the sub-contractors involved and the experience of management. Because of the nature of the construction industry, management regularly reviews the progress report prepared by the project managers and budgets of the construction contracts in determining the percentage of completion of work. Any change in the estimates of construction revenue or construction cost will affect the amount of foreseeable losses, or attributable profits recognised in profit or loss prospectively in each reporting period using the percentage of completion method.

Impairment of trade receivables

Impairment of trade receivables is made based on assessment of the recoverability of receivables due from customers. The identification of impairment requires management judgement and estimates by reference to ageing analysis and historical payment pattern. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed. The carrying amount of trade receivables was approximately HK\$295,413,000 (2017: approximately HK\$368,603,000). Further details are contained in note 16 to the financial statements.

Notes to Financial Statements (Continued)

31 March 2018

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services provided and has four reportable segments as follows:

- (a) building construction and other construction related business;
- (b) alterations, renovation, upgrading and fitting-out works;
- (c) property maintenance; and
- (d) graphene production and trading of materials.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, finance costs, investment income, share of loss of an associate, an impairment loss of available-for-sale investments, and gain on deregistration of subsidiaries as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude tax recoverable, available-for-sale investments, certain property, plant and equipment, certain other receivables, pledged bank deposits and restricted cash, and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude tax payable, amounts due to related parties, loans from a related party, and certain other payables and accruals, as these liabilities are managed on a group basis.

There were no intersegment sales or transfers during the year (2017: Nil).

Notes to Financial Statements (Continued)

31 March 2018

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 March 2018

	Building construction and other construction related business HK\$'000	Alterations, renovation, upgrading and fitting-out works HK\$'000	Property maintenance HK\$'000	Graphene production and trading of materials HK\$'000	Total HK\$'000
Segment revenue:					
Revenue from external customers	284,789	244,794	432,988	246,532	1,209,103
Segment results:	28,701	13,307	29,748	(19,222)	52,534
<i>Reconciliation:</i>					
Unallocated other income					5,089
Administrative expenses					(64,569)
Finance costs					(8,340)
Impairment loss on available-for-sale investments					(3,474)
Loss before tax					(18,760)
Segment assets:	61,507	57,001	156,592	191,803	466,903
<i>Reconciliation:</i>					
Corporate and other unallocated assets					370,752
Total assets					837,655
Segment liabilities:	69,805	45,984	101,757	1,178	218,724
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					304,884
Total liabilities					523,608
Other segment information:					
Depreciation	1,937	—	83	5,943	7,963
Capital expenditure	1,498	—	252	32,673	34,423
Impairment loss on trade receivables	—	—	—	11,000	11,000

Notes to Financial Statements (Continued)

31 March 2018

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 March 2017

	Building construction and other related business HK\$'000	Alterations, renovation, upgrading and fitting-out works HK\$'000	Property maintenance HK\$'000	Graphene production and trading of materials HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:						
Revenue from external customers	317,159	346,213	651,155	193,034	—	1,507,561
Segment results:						
	9,221	26,102	29,834	(911)	—	64,246
<i>Reconciliation:</i>						
Unallocated other income						13,982
Administrative expenses						(74,124)
Finance costs						(3,584)
Gain on deregistration of subsidiaries						681
Share of loss of an associate						(113)
Profit before tax						1,088
Segment assets:						
	60,657	107,528	260,852	103,267	23	532,327
<i>Reconciliation:</i>						
Corporate and other unallocated assets						506,750
Total assets						1,039,077
Segment liabilities:						
	90,433	104,960	178,985	55,256	249	429,883
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities						304,532
Total liabilities						734,415
Other segment information:						
Depreciation	3,008	2	884	1,973	—	5,867
Capital expenditure	1,291	—	52	36,228	—	37,571

Notes to Financial Statements (Continued)

31 March 2018

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2018 HK\$'000	2017 HK\$'000
Hong Kong	811,265	1,058,836
Singapore	151,306	255,691
Mainland China	246,532	193,034
	1,209,103	1,507,561

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

(b) Non-current assets

	2018 HK\$'000	2017 HK\$'000
Hong Kong	30,280	7,141
Singapore	4,677	6,690
Mainland China	80,286	37,526
Total non-current assets	115,243	51,357

The non-current asset information above is based on the locations of the assets and excludes available-for-sale investments.

Information about major customers

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

	2018 HK\$'000	2017 HK\$'000
Customer A ¹	469,565	637,248
Customer B ²	N/A [#]	238,034
Customer C ³	235,377	161,011

¹ Revenue from building construction and property maintenance.

² Revenue from building construction.

³ Revenue from graphene production and trading of materials.

[#] Revenue from this customer amounted to less than 10% of the total revenue of the Group for the year ended 31 March 2018.

Notes to Financial Statements (Continued)

31 March 2018

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents revenue from building construction; alterations, renovation, upgrading and fitting-out works; property maintenance; and graphene production and trading of materials during the year.

An analysis of revenue, other income and gains is as follows:

	2018 HK\$'000	2017 HK\$'000
Revenue		
Building construction	284,789	317,159
Alterations, renovation, upgrading and fitting-out works	244,794	346,213
Property maintenance	432,988	651,155
Graphene production and trading of materials	246,532	193,034
	1,209,103	1,507,561
Other income		
Interest income from sub-contractors	4,591	4,119
Bank interest income	3,380	2,388
Investment income from available-for-sale investments	266	—
Government grants	—	1,163
Others	2,031	2,473
	10,268	10,143
Gains		
Gain on deregistration of subsidiaries	—	681
Foreign exchange difference, net	—	5,824
Gain on disposal of items of property, plant and equipment	—	2,373
	—	8,878
Total other income and gains	10,268	19,021

Notes to Financial Statements (Continued)

31 March 2018

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2018 HK\$'000	2017 HK\$'000
Cost of services provided		894,712	1,253,728
Cost of inventories sold		245,645	191,175
Auditor's remuneration		1,400	1,300
Depreciation**	12	10,812	6,512
Research and development cost		9,109	2,770
Minimum lease payments under operating leases on land and buildings		3,547	4,510
Loss/(gain) on disposal of items of property, plant and equipment [#]		728	(2,373)
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		83,039	102,982
Pension scheme contributions*		3,470	4,321
		86,509	107,303
Foreign exchange differences, net [#]		554	(5,824)
Impairment loss on available-for-sale investments ^{##}		3,474	—
Impairment loss on trade receivables ^{##}	16	11,000	—

* At 31 March 2018, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2017: Nil).

** Amount of approximately HK\$1,204,000 (2017: approximately HK\$760,000) and approximately HK\$592,000 (2017: approximately HK\$886,000) were included in "research and development costs" and "cost of sales", respectively.

[#] Included in "other operating expenses" and "other income and gains" for the years ended 31 March 2018 and 31 March 2017, respectively.

^{##} Included in "other operating expenses".

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 HK\$'000	2017 HK\$'000
Interest on loans from a related party	5,961	1,700
Interest on obligations under finance leases	79	87
Interest on bank loans and other loans (including a convertible bond)	2,300	1,797
	8,340	3,584

Notes to Financial Statements (Continued)

31 March 2018

8. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 HK\$'000	2017 HK\$'000
Fees	615	600
Other emoluments:		
Salaries, bonuses and allowances	5,400	4,152
Pension scheme contributions	18	35
	5,418	4,187
	6,033	4,787

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018 HK\$'000	2017 HK\$'000
Tam Tak Kei, Raymond	172	150
Wong Kai Tung, Simon	172	150
Wong Wai Kwan	173	150
	517	450

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

Notes to Financial Statements (Continued)

31 March 2018

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and a non-executive director

	Fees HK\$'000	Salaries, bonuses and allowances HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2018				
Executive directors:				
Chau Chit	—	2,400	18	2,418
Dai Jialong*	—	2,400	—	2,400
Xie Xiaotao**	—	600	—	600
	—	5,400	18	5,418
Non-executive director:				
Chen Guobao [#]	98	—	—	98
	98	5,400	18	5,516
2017				
Executive directors:				
Chau Chit	—	2,600	18	2,618
Dai Jialong*	—	200	—	200
Xie Xiaotao**	—	297	—	297
Hu Baoyue [^]	—	460	8	468
Kwan Ngai Kit ^{^^}	—	595	9	604
	—	4,152	35	4,187
Non-executive director:				
Chen Guobao [#]	150	—	—	150
	150	4,152	35	4,337

* Mr. Dai Jialong was appointed as an executive director of the Company with effect from 1 March 2017.

** Mr. Xie Xiaotao was appointed as an executive director of the Company with effect from 3 October 2016.

[^] Mr. Hu Baoyue was resigned as an executive director of the Company with effect from 21 September 2016.

^{^^} Mr. Kwan Ngai Kit was resigned as an executive director of the Company with effect from 3 October 2016.

[#] Mr. Chen Guobao was resigned as a non-executive director of the Company with effect from 24 October 2017.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

Notes to Financial Statements (Continued)

31 March 2018

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2017: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2017: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries, bonuses and allowances	5,405	7,011
Pension scheme contributions	66	72
	5,471	7,083

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2018	2017
HK\$1,500,001 to HK\$2,000,000	3	4

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2018 HK\$'000	2017 HK\$'000
Current — Hong Kong		
Charge for the year	5,222	1,233
Overprovision in prior years	(115)	—
Current — Elsewhere		
Overprovision in prior years	(1,495)	—
Total tax charge for the year	3,612	1,233

Notes to Financial Statements (Continued)

31 March 2018

10. INCOME TAX (Continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2018 HK\$'000	2017 HK\$'000
Profit/(loss) before tax	(18,760)	1,088
Tax at the statutory tax rate	(5,541)	397
Adjustments in respect of current tax of previous periods	(1,610)	—
Income not subject to tax	(181)	(928)
Expenses not deductible for tax	3,995	3,578
Tax losses utilised from previous periods	(702)	(2,624)
Tax losses not recognised	7,739	646
Others	(88)	164
Tax charge at the Group's effective rate of -19.3% (2017: 113%)	3,612	1,233

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 6,000,000,000 (2017: 6,000,000,000) in issue during the year.

The calculation of the diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on a convertible bond, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Notes to Financial Statements (Continued)

31 March 2018

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

The calculations of basic and diluted loss per share are based on:

	2018 HK\$'000	2017 HK\$'000
Earnings/(loss)		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	(22,372)	(145)
Interest on a convertible bond	2,060	1,794
Profit/(loss) attributable to ordinary equity holders of the Company before interest on a convertible bond	(20,312)*	1,649*
	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	6,000,000,000	6,000,000,000
Effect of dilution — A convertible bond	400,000,000	390,388,125
	6,400,000,000*	6,390,388,125*

* Because the diluted loss per share amount is decreased when taking a convertible bond into account, the convertible bond had an anti-dilutive effect on the basic loss per share for the year and was ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amount is based on the loss for the year, and the weighted average number of ordinary shares of 6,000,000,000 in issue during the year.

Notes to Financial Statements (Continued)

31 March 2018

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixture and equipment HK\$'000	Computers HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
31 March 2018							
At 31 March 2017 and at 1 April 2017:							
Cost	—	16,001	28,496	3,106	17,693	—	65,296
Accumulated depreciation	—	(1,871)	(10,863)	(2,639)	(4,941)	—	(20,314)
Net carrying amount	—	14,130	17,633	467	12,752	—	44,982
At 1 April 2017, net of accumulated depreciation and impairment	—	14,130	17,633	467	12,752	—	44,982
Additions	25,823	997	656	1,216	945	32,437	62,074
Disposals	—	(191)	(1,123)	(8)	(533)	—	(1,855)
Depreciation provided during the year	(1,033)	(3,004)	(2,741)	(720)	(3,314)	—	(10,812)
Exchange realignment	—	1,247	1,478	1	1,370	1,916	6,012
At 31 March 2018	24,790	13,179	15,903	956	11,220	34,353	100,401
At 31 March 2018:							
Cost	25,823	17,691	24,917	3,741	17,713	34,353	124,238
Accumulated depreciation	(1,033)	(4,512)	(9,014)	(2,785)	(6,493)	—	(23,837)
Net carrying amount	24,790	13,179	15,903	956	11,220	34,353	100,401
31 March 2017							
At 1 April 2016:							
Cost	—	3,072	26,032	2,708	4,127	—	35,939
Accumulated depreciation and impairment	—	(1,461)	(13,554)	(2,011)	(3,058)	—	(20,084)
Net carrying amount	—	1,611	12,478	697	1,069	—	15,855
At 1 April 2016, net of accumulated depreciation	—	1,611	12,478	697	1,069	—	15,855
Additions	—	13,247	12,542	399	14,139	—	40,327
Disposals	—	—	(3,544)	—	(46)	—	(3,590)
Depreciation provided during the year	—	(439)	(3,263)	(628)	(2,182)	—	(6,512)
Exchange realignment	—	(289)	(580)	(1)	(228)	—	(1,098)
At 31 March 2017	—	14,130	17,633	467	12,752	—	44,982
At 31 March 2017:							
Cost	—	16,001	28,496	3,106	17,693	—	65,296
Accumulated depreciation	—	(1,871)	(10,863)	(2,639)	(4,941)	—	(20,314)
Net carrying amount	—	14,130	17,633	467	12,752	—	44,982

Notes to Financial Statements (Continued)

31 March 2018

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net carrying amounts of the Group's property, plant and equipment held under finance leases included in the total amounts of furniture, fixture and equipment as at 31 March 2018 were approximately HK\$4,005,000 (2017: HK\$4,359,000).

At 31 March 2018, the Group's leasehold land and buildings with a net carrying amount of approximately HK\$24,790,000 (2017: Nil) was pledged to secure a mortgage loan granted to the Group (note 21).

13. AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK\$'000	2017 HK\$'000
Listed equity investments, at fair value	3,212	4,974
Listed debt securities, at fair value	318	298
Unlisted equity investments, at cost	—	3,383
Unlisted debt investment, at fair value	20,033	14,099
	23,563	22,754
Classified as current assets	(20,033)	(14,099)
	3,530	8,655

During the year, the gross fair value loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to approximately HK\$2,098,000 (2017: gross fair value gain of approximately HK\$2,007,000), of which approximately HK\$91,000 (2017: Nil) was reclassified from other comprehensive income to the profit or loss for the year.

The above investments consist of investment in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate and investment in listed and unlisted debt securities with fixed interest rates of 4.7% (2017: 4.7%) and 1.37% (2017: 1.08%) per annum respectively.

Included in available-for-sale investments as at 31 March 2017 was an unlisted equity investment of approximately HK\$3,383,000, which represented 10% equity interest in a joint venture company established in the PRC. During the year, the cooperation between the Group and the other investors in development of graphene downstream applications in the joint venture company was terminated. As a result, there was an impairment loss of approximately HK\$3,383,000 in the available-for-sale investments during the year.

Included in available-for-sale investments is an amount of approximately HK\$20,033,000 (2017: approximately HK\$14,099,000) pledged to secure bank facilities and performance bonds granted to the Group.

Notes to Financial Statements (Continued)

31 March 2018

14. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Raw materials	345	—

15. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	2018 HK\$'000	2017 HK\$'000
Gross amount due from contract customers	9,741	10,785
Gross amount due to contract customers	(12,267)	(7,561)
	(2,526)	3,224
Contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date	1,349,479	1,269,150
Less: Progress billings	(1,352,005)	(1,265,926)
	(2,526)	3,224

16. TRADE RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	253,676	308,257
Impairment	(11,000)	—
	242,676	308,257
Retention monies receivables (note)	52,737	60,346
	295,413	368,603

Note: The amount represents retentions held by customers for contract works, of which approximately HK\$23,109,000 (2017: approximately HK\$40,735,000) is expected to be recovered or settled in more than twelve months from the end of the reporting period.

The Group does not have a standardised and universal credit period granted to its customers, and the credit periods of individual customers are considered on a case-by-case basis and stipulated in the project contract, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes to Financial Statements (Continued)

31 March 2018

16. TRADE RECEIVABLES (Continued)

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date is as follows:

	2018 HK\$'000	2017 HK\$'000
Within 1 month	199,470	299,474
1 to 3 months	1,711	8,783
Over 3 months	41,495	—
	242,676	308,257

The movement in provision for impairment of trade receivables is as follows:

	2018 HK\$'000	2017 HK\$'000
At beginning of year	—	—
Impairment losses recognised (note 6)	11,000	—
At 31 March	11,000	—

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately HK\$11,000,000 (2017: Nil) with a carrying amount before provision of approximately HK\$85,086,000 (2017: Nil). The individually impaired trade receivables relate to a customer that was in financial difficulties and only a portion of the receivables is expected to be recovered.

The aging analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2018 HK\$'000	2017 HK\$'000
Neither past due nor impaired	161,920	298,439
Less than 3 months past due	5,964	9,818
More than 3 months past due	706	—
	168,590	308,257

Notes to Financial Statements (Continued)

31 March 2018

16. TRADE RECEIVABLES (Continued)

Receivables that were neither past due nor impaired relate to a number of independent customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in retention monies receivables is an amount of approximately HK\$10,283,000 (2017: Nil) pledged to secure bank facilities granted to the Group.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Prepayments	46,181	78,553
Deposits and other receivables	58,616	51,118
	104,797	129,671
Less: non-current portion	(14,842)	(6,375)
	89,955	123,296

The financial assets included in the above net balances relate to receivables for which there was no recent history of default.

Included in other receivables is an amount of approximately HK\$21,793,000 (2017: approximately HK\$18,477,000) pledged to secure bank facilities and performance bonds granted to the Group.

Notes to Financial Statements (Continued)

31 March 2018

18. CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS AND RESTRICTED CASH

	2018 HK\$'000	2017 HK\$'000
Cash and bank balances	42,076	274,655
Time deposits at banks	261,194	185,858
	303,270	460,513
Less: Pledged deposits for banking facilities	(57,305)	(48,005)
Restricted cash for banking facilities	(346)	(6,451)
	(57,651)	(54,456)
Cash and cash equivalents	245,619	406,057

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$132,086,000 (2017: approximately HK\$259,007,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between fourteen days and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Notes to Financial Statements (Continued)

31 March 2018

19. TRADE PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables	129,409	280,655
Retention monies payables	66,267	73,003
	195,676	353,658

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 HK\$'000	2017 HK\$'000
Within 1 month	121,026	257,112
1 month to 3 months	2,859	13,412
Over 3 months	5,524	10,131
	129,409	280,655

Trade payables are non-interest-bearing and are normally settled on 30 to 60 day terms.

Notes to Financial Statements (Continued)

31 March 2018

20. OTHER PAYABLES AND ACCRUALS

	2018 HK\$'000	2017 HK\$'000
Advance receipts	1,186	54,968
Other payables and accruals	21,813	20,702
	22,999	75,670
Less: non-current portion	(487)	(487)
Current portion	22,512	75,183

Other payables are non-interest-bearing and repayable on demand.

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Current		
Long-term bank loan repayable on demand, secured (note)	8,785	—
Finance lease payable (note 23)	974	1,086
	9,759	1,086
Non-current		
Finance lease payable (note 23)	—	905
	9,759	1,991
Analysed into:		
Bank loan repayable:		
Within one year or on demand (note)	8,785	—
Other borrowing repayable:		
Within one year	974	1,086
In the second year	—	905
	974	1,991
	9,759	1,991

Note: The Group's bank loan in the amount of approximately HK\$8,785,000 (2017: Nil) containing an on-demand clause has been reclassified as a current liability. For the purposes of the above analysis, the loan is included within current interest-bearing bank and other borrowings and analysed into bank loan repayable within one year or on demand.

Based on the maturity terms of the loan, the amounts repayable in respect of the loan are: within one year of approximately HK\$373,000 (2017: Nil); in the second year of approximately HK\$381,000 (2017: Nil); in the third to fifth years, inclusive, of approximately HK\$1,197,000 (2017: Nil); and beyond five years of approximately HK\$6,834,000 (2017: Nil).

Notes to Financial Statements (Continued)

31 March 2018

21. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

- (a) The Group's bank loan is secured by mortgages over certain of the Group's leasehold land and buildings, which had an aggregate net carrying value at the end of the reporting period of approximately HK\$24,790,000 (2017: Nil).
- (b) Except for the finance lease payable which is denominated in Singapore dollars, all borrowings are in Hong Kong dollars.
- (c) The average effective interest rate of the Group's bank loan was 2.25% (2017: Nil).

22. A CONVERTIBLE BOND

On 3 February 2016, the Company issued a convertible bond with a principal amount of HK\$24,000,000 to Mega Start Limited ("Mega Start"), which is a substantial shareholder and a company wholly owned by Mr. Chau Chit (being the Co-Chairman and an executive Director of the Company). The convertible bond bears no interest and the outstanding principal amount of the convertible bond shall be converted into ordinary shares of the Company in full mandatorily at the initial conversion price of HK\$0.3 per conversion share (which was revised to HK\$0.06 per conversion share after the share subdivision on 3 May 2016), if and only if, the gross profits of the new graphene business of the Group for the two financial years ended 31 March 2017 and 2018 exceed HK\$300 million in aggregate. Unless the conversion conditions are met and converted, the convertible bond shall be redeemed at the principal amount on the maturity date, which is 5 years after the date of issue.

At 31 March 2018, the conversion condition was not satisfied as the gross profits of the new graphene business of the Group for the two financial years ended 31 March 2017 and 2018 did not exceed HK\$300 million in aggregate and the mandatory conversion shall not take place. The convertible bond shall be redeemed in full upon maturity.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bond issued during the prior year had been split into the liability and equity components as follows:

	2018 HK\$'000	2017 HK\$'000
Nominal value		
At 31 March 2017, 1 April 2017 and 31 March 2018	24,000	24,000
Liability component		
At beginning of year	14,323	12,529
Interest expense	2,060	1,794
At 31 March	16,383	14,323
Equity component		
At 31 March 2017, 1 April 2017 and 31 March 2018	11,746	11,746

Notes to Financial Statements (Continued)

31 March 2018

23. FINANCE LEASE PAYABLE

The Group leases certain of its plant and machinery for its building construction business. These leases are classified as finance leases and have remaining lease terms ranging from one to two years. These leases have no terms of renewal and escalation clauses.

As at 31 March 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2018 HK\$'000	Minimum lease payments 2017 HK\$'000	Present value of minimum lease payments 2018 HK\$'000	Present value of minimum lease payments 2017 HK\$'000
Amounts payable:				
Within one year	1,042	1,161	974	1,086
In the second year	—	968	—	905
Total minimum finance lease payments	1,042	2,129	974	1,991
Future finance charges	(68)	(138)		
Total net finance lease payables	974	1,991		
Portion classified as current liabilities	(974)	(1,086)		
Non-current portion	—	905		

24. DEFERRED TAX

The Group has tax losses arising in Hong Kong and Singapore of approximately HK\$58,999,000 (2017: approximately HK\$47,166,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of approximately HK\$18,258,000 (2017: approximately HK\$2,704,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 March 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$16,755,000 (2017: approximately HK\$15,041,000) at 31 March 2018.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Notes to Financial Statements (Continued)

31 March 2018

25. SHARE CAPITAL

	2018 HK\$'000	2017 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.002 each (2017: 10,000,000,000 ordinary shares of HK\$0.002 each)	20,000	20,000
Issued and fully paid:		
6,000,000,000 ordinary shares of HK\$0.002 each (2017: 6,000,000,000 ordinary shares of HK\$0.002 each)	12,000	12,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2016	1,200,000,000	12,000	300,824	312,824
Subdivision (note i)	4,800,000,000	—	—	—
At 31 March 2017, 1 April 2017 and 31 March 2018	6,000,000,000	12,000	300,824	312,824

Note:

- (i) On 3 May 2016, each of the existing issued and unissued shares of HK\$0.01 in the share capital of the Company were subdivided into five ordinary shares of HK\$0.002 each. The share subdivision was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 29 April 2016.

Share options

Details of the Company's share option scheme are included in note 26 to the financial statements.

Notes to Financial Statements (Continued)

31 March 2018

26. SHARE OPTION SCHEME

Pursuant to the written resolution of the shareholders of the Company on 19 December 2011, the Company adopted a share option scheme (the "Scheme") to attract and retain the best available personnel, to provide additional incentive to eligible participants and to promote the success of the business of the Group.

Eligible participants of the Scheme include employees (full-time or part-time), directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, and business partners or service providers of the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

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

No share options have been granted since the adoption of the Scheme and there were no outstanding share options at the end of the reporting period.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 55 and 56 of the financial statements.

Notes to Financial Statements (Continued)

31 March 2018

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group entered into a loan agreement with a related party, approximately HK\$36,616,000 has been transferred from amount due to a related party to a loan from a related party.

(b) Changes in liabilities arising from financing activities

	Bank loans	Finance lease payables	Convertible bonds	Amounts due to related parties	Loans from a related party
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2017	—	1,991	14,323	36,655	243,009
Changes from financing cash flows	8,600	(1,223)	—	—	(22,018)
Non-cash transactions	—	—	—	(36,616)	36,616
Interest expense	185	79	2,060	—	5,961
Foreign exchange movement	—	127	—	—	—
At 31 March 2018	8,785	974	16,383	39	263,568

29. CONTINGENT LIABILITIES

Performance bonds amounting to approximately HK\$116,298,000 (2017: approximately HK\$107,392,000) were given by banks or insurance companies in favour of some of the Group's customers as security for the due performance and observance of the Group's obligations under the construction contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks or insurance companies to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks or insurance companies accordingly. The performance bonds will be released upon completion of the contract works for the relevant customers.

In addition, certain subsidiaries of the Company are defendants in numbers of claims, lawsuits, arbitrations and potential claims relating to subcontracting fees, damages of personal injuries and breach of construction contracts. The directors of the Company considered that the possibility of any outflow in settling the legal claims is remote, after due consideration of each case and with reference to legal advice.

Notes to Financial Statements (Continued)

31 March 2018

30. PLEDGE OF ASSETS

Details of the banking facilities and performance bonds granted to the Group, which are secured by the assets of the Group, are included in notes 12, 13, 16, 17 and 18 to the financial statements.

31. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties, machinery and staff quarters under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

As at 31 March 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	2,306	3,975
In the second to fifth years, inclusive	471	2,325
	2,777	6,300

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments at the end of the reporting period:

	2018 HK\$'000	2017 HK\$'000
Contracted, but not provided for:		
Land and buildings	—	21,420
Plant and machinery	34,649	6,787
	34,649	28,207

Notes to Financial Statements (Continued)

31 March 2018

33. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2018 HK\$'000	2017 HK\$'000
Interest expense paid to a director of certain subsidiaries of the Company (note)	5,961	1,700

Note: The interest expense was loan interest charged on loans from Mr. Wong Law Fai, a director of certain subsidiaries of the Company, pursuant to a loan agreement dated 1 October 2017. Details of the amounts due to related parties and loans from a related party are detailed in note 33(b) below.

- (b) Outstanding balances with related parties:

The loans from a related party were advanced by Mr. Wong Law Fai, a director of certain subsidiaries of the Company. The amounts comprise (i) loans of approximately HK\$243,009,000 which are unsecured and bear interest at 3.8% per annum and repayable in June 2019 as extended by Mr. Wong Law Fai (2017: loans of approximately HK\$170,000,000 were unsecured and bore interest at 1% per annum and were repayable in June 2018 and loan of approximately HK\$73,000,000 was unsecured, interest free and was repayable in June 2018); and (ii) a loan of approximately HK\$20,559,000 (2017: Nil) which is unsecured, bears interest at 3.8% per annum and is repayable on demand.

The amounts due to related parties of approximately HK\$39,000 (2017: approximately HK\$36,644,000) and nil (2017: approximately HK\$11,000) were advanced by Mr. Wong Law Fai and Mr. So Kwok Lam, directors of certain subsidiaries of the Company. They are unsecured, interest-free and repayable on demand.

- (c) Compensation of key management personnel of the Group:

The key management personnel of the Group are the directors of the Company. Details of their remuneration are disclosed in note 8 to the financial statements.

- (d) The Company and Mega Start Limited entered into a subscription agreement on 16 December 2015 in relation to subscription for 90,000,000 shares of the Company and an agreement on 16 December 2015 in relation to subscription of a convertible bond in a principal amount of HK\$24,000,000. Details are stated in the Company's the circular dated 15 January 2016. Details of the convertible bond are included in note 22 to the financial statements.

- (e) Performance bond of approximately HK\$53,854,000 (2017: approximately HK\$35,271,000) was guaranteed by Mr. Wong Law Fai, a director of certain subsidiaries of the Company.

The related party transactions in respect of items (a) and (e) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to Financial Statements (Continued)

31 March 2018

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2018

Financial assets

	Loans and receivables HK\$'000	Available-for- sale financial assets HK\$'000	Total HK\$'000
Available-for-sale investments	—	23,563	23,563
Trade receivables	295,413	—	295,413
Deposits and other receivables (note 17)	58,616	—	58,616
Pledged deposits and restricted cash	57,651	—	57,651
Cash and cash equivalents	245,619	—	245,619
	657,299	23,563	680,862

Financial liabilities

	At amortised cost HK\$'000
Trade payables	195,676
Financial liabilities included in other payables and accruals	13,424
Amounts due to related parties	39
Interest-bearing bank and other borrowings	9,759
A convertible bond	16,383
Loans from related parties	263,568
	498,849

Notes to Financial Statements (Continued)

31 March 2018

34. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2017

Financial assets

	Loans and receivables HK\$'000	Available-for- sale financial assets HK\$'000	Total HK\$'000
Available-for-sale investments	—	22,754	22,754
Trade receivables	368,603	—	368,603
Deposits and other receivables (note 17)	51,118	—	51,118
Pledged deposits and restricted cash	54,456	—	54,456
Cash and cash equivalents	406,057	—	406,057
	880,234	22,754	902,988

Financial liabilities

	At amortised cost HK\$'000
Trade payables	353,658
Financial liabilities included in other payables and accruals	18,240
Amounts due to related parties	36,655
Interest-bearing bank and other borrowings	1,991
A convertible bond	14,323
Loans from a related party	243,009
	667,876

Notes to Financial Statements (Continued)

31 March 2018

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Financial asset				
Available-for-sale investments, at fair value	23,563	19,371	23,563	19,371
Financial liability				
A convertible bond	16,383	14,323	16,383	14,261

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits and restricted cash, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, available-for-sale investments, financial liabilities included in other payables and accruals, certain bank and other borrowings and balances with related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of other borrowings, other payables and accruals, loans from a related party have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the liability portion of the convertible bond is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of listed equity and debt investments classified as available-for-sale investments are based on quoted market prices.

Notes to Financial Statements (Continued)

31 March 2018

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
31 March 2018				
Available-for-sale investments	3,530	20,033	—	23,563
31 March 2017				
Available-for-sale investments	5,272	14,099	—	19,371

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

The Group did not have any financial liabilities measured at fair value as at 31 March 2017 and 31 March 2018.

Notes to Financial Statements (Continued)

31 March 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, balances with related parties, and loans from a related party, available-for-sale investments, cash and cash equivalents, pledged bank deposits and restricted cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade payables, deposits and other receivables, and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has certain pledged bank deposits, and cash and cash equivalents denominated in currencies other than the functional currency of the group entities to which they relate. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Singapore dollar ("SGD") and Renminbi ("RMB") exchange rates, with all other variables held constant, of the Group's profit/(loss) before tax and the Group's equity (due to changes in the fair value of monetary assets and liabilities).

	%	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2018			
If the Hong Kong dollar weakens against SGD	5	4	—
If the Hong Kong dollar strengthens against SGD	(5)	(4)	—
If the Hong Kong dollar weakens against RMB	5	—	—
If the Hong Kong dollar strengthens against RMB	(5)	—	—
2017			
If the Hong Kong dollar weakens against SGD	5	(131)	264
If the Hong Kong dollar strengthens against SGD	(5)	131	(264)
If the Hong Kong dollar weakens against RMB	5	13,977	—
If the Hong Kong dollar strengthens against RMB	(5)	(13,977)	—

* Excluding retained profits

Notes to Financial Statements (Continued)

31 March 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise other receivables, cash and cash equivalents and pledged deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group has concentrations of credit risk as 50% (2017: 42%) and 76% (2017: 78%) of the total trade receivables were due from the Group's single largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 16 and 17 to the financial statements, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. The Group's policy is to ensure the matching of maturity of its financial liabilities against that of its financial assets, and the maintenance of a current ratio, defined as current assets over current liabilities, at above one so as to enhance a stable liquidity.

Notes to Financial Statements (Continued)

31 March 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand HK\$'000	Less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
2018				
Trade payables	—	195,676	—	195,676
Financial liabilities included in other payables and accruals	—	13,424	—	13,424
Amounts due to related parties	39	—	—	39
Loans from a related party	20,559	—	254,551	275,110
A convertible bond	—	—	24,000	24,000
Interest-bearing bank and other borrowings (note)	8,785	1,042	—	9,827
	29,383	210,142	278,551	518,076
2017				
Trade payables	—	353,658	—	353,658
Financial liabilities included in other payables and accruals	—	18,240	—	18,240
Amounts due to a related party	36,655	—	—	36,655
Loan from a related party	—	—	245,133	245,133
Convertible bond	—	—	24,000	24,000
Interest-bearing bank and other borrowings	—	1,161	968	2,129
	36,655	373,059	270,101	679,815

Note:

Included in interest-bearing bank borrowings of the Group is a bank loan in the amount of approximately HK\$8,785,000 (31 March 2017: Nil). The loan agreement contains a repayment on demand clause giving the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that the loan will be called, in its entirety or in part, within 12 months and they consider that the loan will be repaid in accordance with the maturity date as set out in the loan agreement. This evaluation was made considering the financial position of the Group at the date of approval of these financial statements, the Group's compliance with the loan covenants, the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans of the Group, the contractual undiscounted payment of interest-bearing bank borrowings at the end of the reporting period is as follows:

	Less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
2018	567	10,249	10,816
2017	—	—	—

Notes to Financial Statements (Continued)

31 March 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

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

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes gross amount due to contract customers, trade payables, other payables and accruals, amounts due to related parties, loans from related parties, interest-bearing bank and other borrowings and a convertible bond, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2018 HK\$'000	2017 HK\$'000
Gross amount due to contract customers	12,267	7,561
Trade payables	195,676	353,658
Other payables and accruals	22,999	75,670
Amounts due to related parties	39	36,655
Interest-bearing bank and other borrowings	9,759	1,991
A convertible bond	16,383	14,323
Loans from related parties	263,568	243,009
Less: cash and cash equivalents	(245,619)	(406,057)
Net debt	275,072	326,810
Total capital	314,047	304,662
Total capital and net debt	589,119	631,472
Gearing ratio	47%	52%

37. EVENT AFTER THE REPORTING PERIOD

On 5 June 2018, the Group entered into a sale and purchase agreement to dispose of its entire interest in Prosperous Star Limited, a wholly-owned subsidiary engaged in property holding, to an independent third party for a total consideration of approximately HK\$28,300,000. This transaction is scheduled to be completed on 30 September 2018 and is expected to result in a gain on disposal before tax of approximately HK\$3,378,000.

Notes to Financial Statements (Continued)

31 March 2018

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	—	—
CURRENT ASSETS		
Other receivables	367	365
Amounts due from subsidiaries	372,897	377,800
Cash and bank balances	5,010	39
Total current assets	378,274	378,204
CURRENT LIABILITIES		
Other payables	1,087	1,066
Amounts due to subsidiaries	58,455	58,455
Interest-bearing bank borrowings	8,785	—
Total current liabilities	68,327	59,521
NET CURRENT ASSETS	309,947	318,683
TOTAL ASSETS LESS CURRENT LIABILITIES	309,947	318,683
NON-CURRENT LIABILITIES		
Convertible bond	16,383	14,323
Net assets	293,564	304,360
EQUITY		
Issued capital	12,000	12,000
Equity component of a convertible bond	11,746	11,746
Reserves (note)	269,818	280,614
Total equity	293,564	304,360

Notes to Financial Statements (Continued)

31 March 2018

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account (note i) HK\$'000	Contributed surplus (note ii) HK\$'000	Capital reserve (note iii) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2016	300,824	119,427	3,791	(123,855)	300,187
Total comprehensive loss for the year	—	—	—	(19,573)	(19,573)
At 31 March 2017 and 1 April 2017	300,824	119,427	3,791	(143,428)	280,614
Total comprehensive loss for the year	—	—	—	(10,796)	(10,796)
At 31 March 2018	300,824	119,427	3,791	(154,224)	269,818

- (i) Under the Companies Law, Cap. 22 (Law 6 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date of which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.
- (ii) Contributed surplus represents the difference between the nominal value of the shares issued for the acquisition of Prosper Ace Investments Limited and the consolidated net asset value of Prosper Ace Investments Limited and its subsidiaries at the date of acquisition.
- (iii) Capital reserve represents a fair value adjustment of an amount due to a subsidiary, which is non-current and interest-free, at initial recognition.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 June 2018.

Five Year Financial Summary

CONSOLIDATED RESULTS

	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	863,928	1,776,238	2,502,744	1,507,561	1,209,103
Profit/(loss) before taxation	(48,568)	(115,787)	20,997	1,088	(18,760)
Income tax expense	250	(1,476)	(1,079)	(1,233)	(3,612)
Profit/(loss) attributable to owners of the parent	(48,318)	(117,263)	19,918	(145)	(22,372)

CONSOLIDATED ASSETS AND LIABILITIES

	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Total assets	657,315	774,791	968,660	1,039,077	837,655
Total liabilities	(512,536)	(748,802)	(644,374)	(734,415)	(523,608)
Total equity	144,779	25,989	324,286	304,662	314,047