Shun Wo Group Holdings Limited
汛和集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1591

2018
ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Wong Yan Hung *(Chairman)*
Mr. Wong Tony Yee Pong *(Chief executive officer)*
Mr. Lai Kwok Fai *(Chief operating officer)*
Mr. Lam Joseph Chok (Appointed on 25 May 2017)

Independent Non-Executive Directors
Mr. Law Ka Ho
Mr. Leung Wai Lim
Mr. Tam Wai Tak Victor

AUDIT COMMITTEE

Mr. Tam Wai Tak Victor *(Chairman)*
Mr. Law Ka Ho
Mr. Leung Wai Lim

REMUNERATION COMMITTEE

Mr. Law Ka Ho *(Chairman)*
Mr. Leung Wai Lim
Mr. Wong Tony Yee Pong

NOMINATION COMMITTEE

Mr. Wong Yan Hung *(Chairman)*
Mr. Law Ka Ho
Mr. Tam Wai Tak Victor

COMPANY SECRETARY

Mr. Chui Gary Wing Yue

AUTHORISED REPRESENTATIVES

Mr. Wong Tony Yee Pong
Mr. Chui Gary Wing Yue

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

26th Floor, Lancashire Centre
361 Shaukeiwan Road, Hong Kong

COMPLIANCE ADVISER

Grande Capital Limited
Room 1204B, 12/F.
Tower 2, Lippo Centre
89 Queensway
Hong Kong

LEGAL ADVISER

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F.
148 Electric Road
North Point
Hong Kong

AUDITORS

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

PRINCIPAL BANK

Bank of China (Hong Kong) Limited

COMPANY'S WEBSITE

www.shunwogroup.com

STOCK CODE

1591

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Shun Wo Group Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), I would like to present to our shareholders the annual report of the Group for the year ended 31 March 2018 (the "**Review Year**").

The Group is principally engaged in the foundation business in Hong Kong. For the Review Year, the Group recorded revenue of approximately HK$131.8 million and profit attributable to owners of the Company of approximately HK$5.6 million, representing a decrease of approximately 39.7% and 69.2% as compared to the corresponding year ended 31 March 2017, respectively. Such significant decrease in both revenue and profit attributable to owners of the Company were mainly due to the continuing weakness and the keen competition in the foundation industry.

Other than the above, the tight labour market in the construction industry and the increase in the costs of staff and materials undoubtly increase the risks of the operation. Nevertheless, the Group's financial position remained strong and continued to improve.

Looking ahead, the Group believes that the continuing weakness and the keen competition in the foundation industry still persist and the industry cannot be fully recovered in a short period of time. Despite the current market condition, I am optimistic about the prospects of the Group due to its well established presence, dedicated management, proven ability and a healthy financial position. The Group will continue focus on its core business and closely monitor the latest development in the foundation industry and adjust its tender pricing policy, in order to prepare for future opportunities, while maximising our shareholders' value.

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our management team and staff for their hard work and contributions, and to our shareholders, investors and business partners for their trust and support.

The Board does not recommend the declaration of final dividend for the Review Year.

Wong Yan Hung
Chairman

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Group has more than 20 years history in Hong Kong foundation industry, specialising in excavation and lateral support works, socketed H-piling and mini-piling works and pile caps construction works. Hop Kee Construction Company Limited, the principal operating subsidiary, is registered under the Buildings Ordinance as a Registered Specialist Contractor under the sub-register of "Foundation Works" category since December 2009.

During the Review Year and up to the date of this report, the Group had been awarded 9 projects with original contract sum of approximately HK$332.8 million and one of them awarded in the late 2017 had broken the highest record of original contract sum amount since the establishment of the Group. The Group had also completed 12 projects with original contract sum of approximately HK$240.3 million.

As at 31 March 2018, the Group had a total of 8 ongoing projects (including projects that have commenced but not completed as well as projects that have been awarded but not yet commenced) and the original contract sum of these projects are approximately HK$388.8 million.

During the Review Year, the keen competition in the foundation industry was further exacerbated. The difficult operating environment was caused by the increasing number of competitors seeking to tender projects and the rising costs persisted. Accordingly, the Group has adopted more competitive tender pricing policy and stringent control over the production costs in order to achieve reasonable project's gross margin. The Group anticipates that the keen competition in the foundation industry will continue in the near future.

Looking forward, the Group will continue to strengthen its market position, enhance the Group's competitive strengths and remain positive for the Government's housing target supply of 460,000 units from both the public and private sectors in the next decade.

FINANCIAL REVIEW

Revenue

For the Review Year, the revenue of the Group has decreased by approximately HK$86.8 million, or approximately 39.7% compared to the corresponding year ended 31 March 2017, from approximately HK$218.6 million to approximately HK$131.8 million. The decrease was mainly because certain sizeable projects were newly awarded in late 2017 which were at the early stage and a few sizable projects awarded in previous years were substantially completed for the year ended 31 March 2017.

Gross Profit and Gross Profit Margin

For the Review Year, the gross profit of the Group has decreased by approximately HK$25.7 million, or approximately 50.2% compared to the corresponding year ended 31 March 2017, from approximately HK$51.2 million to approximately HK$25.5 million. The gross profit margin has decreased from 23.4% for the corresponding year ended 31 March 2017 to 19.4% for the Review Year. The decrease in gross profit and gross profit margin were mainly due to (i) the decrease in revenue as discussed above; (ii) the Group has adopted a more competitive tender pricing policy as a result of keen competition in order to secure new contracts; and (iii) some additional costs incurred for meeting the client's expectations in certain projects.

Administrative Expenses

For the Review Year, the administrative and other operating expenses have decreased by approximately HK$7.2 million or approximately 25.5% compared to the corresponding year ended 31 March 2017, from approximately HK$28.2 million to approximately HK$21.0 million. The decrease was primarily due to the recognition of the one-off listing expenses for the year ended 31 March 2017.

Management Discussion and Analysis

Finance Costs

For the Review Year, the finance cost has decreased by approximately HK$217,000 or approximately 49.9% compared to the corresponding year ended 31 March 2017, from approximately HK$435,000 to approximately HK$218,000. The decrease was primarily due to the repayment of loan principal in respect of the finance leases.

Profit attributable to owners of the Company

As a result of the aforesaid, the profit attributable to owners of the Company has decreased by approximately HK$12.6 million or approximately 69.2% compared to the corresponding year ended 31 March 2017, from approximately HK$18.2 million to approximately HK$5.6 million.

Key Financial Ratio

	Notes	**As at 31 March 2018**	As at 31 March 2017
Current ratio	*(1)*	**7.8x**	10.6x
Gearing ratio	*(2)*	**1.7%**	5.0%

	Notes	**For the year ended 31 March 2018**	For the year ended 31 March 2017
Return on total assets	*(3)*	**3.0%**	10.3%
Return on equity	*(4)*	**3.4%**	11.6%
Net profit margin	*(5)*	**4.2%**	8.3%

Notes:

(1) Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

(2) Gearing ratio is calculated as total bank borrowings (including finance lease liabilities) divided by the total equity as at the respective reporting dates.

(3) Return on total assets is calculated as profit for the year divided by the total assets as of the respective reporting dates.

(4) Return on equity is calculated as profit for the year divided by the total equity as of the respective reporting dates.

(5) Net profit margin is calculated as profit divided by the revenue for the respective reporting years.

Management Discussion and Analysis

Current ratio

Our Group's current ratio decreased from approximately 10.6 times as at 31 March 2017 to approximately 7.8 times as at 31 March 2018. The decrease was due to the increase in trade and other payables as at 31 March 2018, which a sizeable project was commenced in February 2018.

Gearing ratio

Our Group's gearing ratio decreased from approximately 5.0% as at 31 March 2017 to approximately 1.7% as at 31 March 2018. The decrease was primarily due to the repayment of loan principal in respect of the finance leases.

Return on total assets

Our Group's return on total assets decreased from approximately 10.3% for the year ended 31 March 2017 to approximately 3.0% for the Review Year. The decrease was due to the overall decrease in profit for the Review Year.

Return on equity

Our Group's return on equity decreased from approximately 11.6% for the year ended 31 March 2017 to approximately 3.4% for the Review Year. The decrease was due to the overall decrease in profit for the Review Year.

Net profit margin

Our Group's net profit margin decreased from approximately 8.3% for the year ended 31 March 2017 to approximately 4.2% for the Review Year. The decrease was due to the decrease in revenue and gross profit margin for the Review Year.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that the Group is exposed to various risks and uncertainties. The following are the key risks and uncertainties faced by the Group:

Industry Risks

The future development of the foundation industry and the availability of foundation projects in Hong Kong depends largely on the continued development of the property market in Hong Kong. The nature, extent and timing of available foundation projects will be determined by an interplay of a variety of factors, including the Government's policies on the property market, land supply and public housing policy, the investment of property developers and the general conditions and prospect of Hong Kong's economy. Any slowdown of the property market may affect the availability of foundation projects in Hong Kong and have a material and adverse impact on our Group's business.

Compliance Risks

Due to the nature of foundation industry, many aspects of the Group's business operation are governed by various laws and regulations and Government policies. The requirements in respect of the granting and/or renewal of various licences and qualifications may change from time to time, and there is no assurance that the Group will be able to respond to such changes in a timely manner. Such changes may also increase the costs and burden in complying with them, which may materially and adversely affect the Group's business, financial condition and results of operation.

Uncertainties in Construction Progress

(1) ***unexpected geological or sub-soil conditions***

Prior to commencement of the foundation works, the customers would normally provide ground investigation reports to the Group. However, information contained in these reports may not be sufficient to reveal the actual geology beneath the construction site due to limitation in the scope of the underground investigation works that can be carried out at the site and/or other technical limitations. There may be discrepancies between the actual geological conditions and the findings set out in these investigation reports, and the investigation may not be able to reveal the existence of rocks or to identify any antiquities, monuments or structures beneath the site.

All these may eventually present potential issues and uncertainties in the carrying out of our foundations works, such as the possible increase in the complexity of the project resulting from additional work procedures, workers, equipment and times required to deal with any unexpected existence of rocks, antiquities or monuments, which may also lead to additional costs to be incurred. Nevertheless, in case of any significant unexpected difficult geological or sub-soil conditions, the Group may incur additional costs in dealing with such unforeseen conditions, which may lead to cost overruns and may thus materially and adversely affect the Group's business operation and financial position.

(2) ***damage of various underground service utilities***

Services utilities may be laid underground or below carriageways and footways in Hong Kong. The Group may be obstructed by those service utilities when carrying out foundation works. There is no assurance that damage to those utilities will not occur during the foundation works. Accordingly, the Group may be liable to the costs for the repair of such damaged service utilities to the extent not covered by insurance.

Failure to Guarantee New Business

Revenue is typically derived from projects which are non-recurrent in nature. As the Group does not enter into long-term agreements with the customers, there is no guarantee that the Group will be able to secure new businesses from customers. The number and scale of projects from which the Group derives revenue from may vary significantly from period to period, and it may be difficult to forecast the volume of future business. In the event that the Group fails to secure new contracts or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, the business and financial positions and prospect of the Group could be materially and adversely affected.

ENVIRONMENTAL POLICIES

In undertaking foundation works, the Group may cause (i) emission of air pollutants; (ii) emission of noise from construction activities; and (iii) disposal of construction waste. Therefore, the foundation works are subject to the requirements of the following laws and regulations in relation to the environmental protection.

The laws and regulations which have a significant impact on the Group includes, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong) and Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong).

Management Discussion and Analysis

The Group places an emphasis on environmental protection when undertaking its projects. The Group has implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2015. Besides that, the Group has also established environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by employees and workers of the sub-contractors.

In order to promote environmental awareness with the business partners, the Group reviews their sub-contractors regularly with environmental contribution being one of the criteria, higher priority is given to sub-contractors possessing ISO 14001 certification.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Review Year, as far as the Board and the management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has material impact on the business and operation of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS

Employees

The Group considers its employees the key to sustainable business growth and also recognises its employees as its valuable assets. The Group provides comprehensive remuneration package to attract, motivate and retain appropriate and suitable employees to serve the Group. The Group has in place a fair and effective performance appraisal system and incentive bonus scheme designed to motivate and reward employees at all levels to deliver their best performance and achieve targets. The Group also provides on-the-job training and development opportunities to enhance its employees' career development and learning.

Customers

The Group are aware of the risk of customer concentration, and sought to reduce the reliance on major customer by undertaking more sizable projects for other customers.

Besides that, the Group believes a strong and good relationship with customers would increase its recognition and visibility in the foundation industry. As such, the Group values the views and opinions of all customers through various means and channels, including regular review and analysis on customer feedback.

The Group also believes that a strong and good relationship with customers can further develop new business opportunities in the foundation industry.

Suppliers and Sub-contractors

The Group has developed stable and strong working relationships with suppliers and sub-contractors to meet the Group's customers' needs in an effective and efficient manner. The Group works closely with the suppliers and sub-contractors to make sure the tendering, procurement and sub-contracting are conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to them before the commencement of the project.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

During the Review Year, there has been no change in capital structure of the Group.

As at 31 March 2018, the Group had total bank balances of approximately HK$95.9 million (31 March 2017: approximately HK$92.1 million).

As at 31 March 2018, the gearing ratio of the Group, calculated by total bank borrowings (including finance lease liabilities) as a percentage of total equity was approximately 1.7% (31 March 2017: approximately 5.0%).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards it treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

It is one of the treasury policies of the Group to make use of certain surplus funds retained by the Group by way of investment in unlisted securities. In April 2017, the Group purchased approximately 76,000 units in a bond fund at a total cost of HK$5.0 million. In June 2017, the Group purchased approximately 458,000 units in another bond fund at a total cost of approximately HK$4.5 million. Both bond funds were sold in March 2018 subsequently with a net gain of approximately HK$0.1 million.

PLEDGE OF ASSETS

As at 31 March 2018, the Group had approximately HK$2.8 million of pledge bank deposits (31 March 2017: approximately HK$3.7 million), while approximately HK$6.4 million of net book value of our plant, machinery and equipment were pledged under finance leases (31 March 2017: approximately HK$10.7 million of net book value of our plant, machinery and equipment and motor vehicles were pledged under finance leases.

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group only operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk for the Review Year.

CAPITAL EXPENDITURE

During the Review Year, the Group invested approximately HK$7.7 million in the purchase of property, plant and equipment. All these capital expenditures were financed by internal resources.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Review Year, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

Management Discussion and Analysis

SIGNIFICANT INVESTMENT

During the Review Year, the Group had no significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed under the section headed "Use of Proceeds", the Group did not have any other plans for material investments or capital assets during the Review Year.

USE OF PROCEEDS

The net proceeds received by the Group from the placing and public offer of the shares of the Company (the "**Shares**") for listing (the "**Listing**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), after deducting related expenses were approximately HK$84.2 million. These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Future Plans and Use of Proceeds" to the prospectus of the Company dated 12 September 2016 (the "**Prospectus**"). Such uses include: (i) acquisition of excavators, cranes and breakers; (ii) strengthening the workforce and manpower; (iii) increasing marketing efforts; and (iv) funding of general working capital. Details of the use of the proceeds are listed as below:

	Planned use of proceeds up to 31 March 2018 HK$'000	Actual Usage up to 31 March 2018 HK$'000
Acquisition of excavators, cranes and breakers	**40,000**	11,653
Strengthening the workforce and manpower	**7,900**	3,997
Increasing marketing efforts	**2,100**	1,461
Funding of general working capital	**8,000**	8,000
Total	**58,000**	25,111

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group employed a total of 64 full-time employees (including executive Directors), as compared to a total of 54 full-time employees as at 31 March 2017. Remuneration is determined with reference to the market terms and the performance, qualifications and experience of the individual employee. In addition to basic salary, performance-linked bonus is offered to those staff with special contributions to the Group, in order to attract and retain capable employees. The total remuneration cost incurred by the Group for the Review Year was approximately HK$32.6 million compared to approximately HK$31.3 million in the corresponding year ended 31 March 2017.

The remuneration of the Directors are decided by the Board upon the recommendation from the remuneration committee of the Company having regard to the Group's operating results, individual performance and comparable market statistics.

Biographical Details of the Directors and Senior Management

Biographical Details of the Directors and Senior Management are set out as follows:

DIRECTORS

Executive Directors

Mr. WONG Yan Hung (黃仁雄) ("**Mr. YH Wong**"), aged 59, is one of the controlling shareholders, the chairman of the Board and an executive Director of the Group. He joined the Group in June 1995 and is the founder of the Group. He is also a director of each and every wholly-owned subsidiary of the Group.

Mr. YH Wong is responsible for the overall business development as well as financial and strategic planning of the Group. He has more than 20 years of experience in the foundation industry. He is the father of Mr. Tony Wong. For Mr. YH Wong's interest in the Shares within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**"), please refer to the section headed "Directors' Report" in this report.

Mr. WONG Tony Yee Pong (黃義邦) (former name: WONG Yee Pong (黃義邦)) ("**Mr. Tony Wong**"), aged 35, is one of the controlling shareholders, the chief executive officer and an executive Director of the Group. He joined the Group in March 2008. He is also a director of each and every wholly-owned subsidiary of the Group.

Mr. Tony Wong is mainly responsible for the overall management of the business operation as well as project management and supervision. He has more than eight years of experience in the foundation industry and obtained his degree of Bachelor of Science from Simon Fraser University in Canada in February 2008. He is the son of Mr. YH Wong. For Mr. Tony Wong's interest in the Shares within the meaning of Part XV of the SFO, please refer to the section headed "Directors' Report" in this report.

Mr. LAI Kwok Fai (黎國輝) ("**Mr. Lai**"), aged 59, is one of the controlling shareholders, the chief operating officer and an executive Director of the Group. He joined the Group in May 1996. He is also a director of each and every wholly-owned subsidiary of the Group.

Mr. Lai is mainly responsible for the overall business operation and strategic planning of the Group. He has more than 20 years of experience in the foundation industry. For Mr. Lai's interest in the Shares within the meaning of Part XV of the SFO, please refer to the section headed "Directors' Report" in this report.

Mr. LAM Joseph Chok (林作) ("**Mr. Lam**"), aged 28, is an executive Director of the Group. He joined the Group in May 2017.

Mr. Lam is responsible for providing strategic advice on our corporate governance and compliance matters. He obtained a Master of Laws and the Postgraduate Certificate in Laws from The University of Hong Kong respectively in 2013 and 2014, and a Bachelor of Arts in Mathematics from The University of Oxford in 2011.

Biographical Details of the Directors and Senior Management

Independent non-executive Directors

Mr. LAW Ka Ho (羅嘉豪) ("**Mr. Law**"), aged 35, was appointed as the independent non-executive Director of the Group in September 2016. He obtained a degree of Bachelor of Business Administration from the Chinese University of Hong Kong in December 2004. He was admitted as a member of the Association of Chartered Certified Accountants in November 2008 and a member of the Hong Kong Institute of Certified Public Accountants in January 2013.

From July 2004 to August 2005, Mr. Law was employed as an audit trainee by Chan Chee Cheng & Co. Certified Public Accountants. From August 2005 to February 2006, he served as an accountant in HLB Hodgson Impey Cheng. He subsequently joined Shu Lun Pan Hong Kong CPA Limited from February 2006 to April 2009 at which his last position was audit senior. In May 2009, he joined BDO Limited as a senior associate and was subsequently promoted to a manager in October 2010 until he left the firm in May 2014. Since December 2014, he has joined the group of Hao Tian International Construction Investment Group Limited (formerly known as Clear Lift Holdings Limited) (stock code: 1341), the shares of which are listed on the Main Board of the Stock Exchange, with his current position as financial controller.

Mr. LEUNG Wai Lim (梁唯廉) ("**Mr. Leung**"), aged 45, was appointed as the independent non-executive Director of the Group in September 2016. He is an adjudicator appointed to the Panel of Adjudicators (Control of Obscene and Indecent Articles) (established under the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong)) and a member of the Board of Review (Inland Revenue Ordinance) in Hong Kong. He is also a panel member appointed by the Secretary for Transport and Housing to the Transport Tribunals' Panel and a member of the Transportation and Logistics Committee (co-option) of the Law Society of Hong Kong SAR.

Mr. Leung has over 20 years of law related working experience. He was employed by DLA Piper from February 2001 to April 2009 at which his last position was partner. He was then employed by Eversheds from May 2009 to April 2015 at which his last position was partner. He is a partner of Howse Williams Bowers since May 2015. Mr. Leung obtained a bachelor's degree in law from University of Wales in United Kingdom in July 1995. He was admitted to practise law as a solicitor in Hong Kong in August 1999 and in England and Wales in April 2001.

Mr. TAM Wai Tak Victor (譚偉德) ("**Mr. Tam**"), aged 40, was appointed as the independent non-executive Director of the Group in September 2016. He graduated with a degree of Bachelor of Arts in accounting & finance (first class honours) from the University of Glamorgan (now known as the University of South Wales) in June 2001. He was admitted as a fellow member of the Association of Chartered Certified Accountants in February 2010 and a member of the Hong Kong Institute of Certified Public Accountants in July 2005.

Mr. Tam has more than 15 years of experience in the field of auditing, accounting and financial management. From January 2002 to February 2005, He was employed as an audit assistant at an audit firm in Hong Kong and was subsequently promoted to senior auditor. From April 2005 to January 2010, he worked at Grant Thornton at which his last position was manager. From January 2010 to November 2010, he served as a financial controller for a private company. From January 2011 to January 2013, he worked at BDO Limited at which his last position was senior manager. Since January 2013, he has joined the group of Differ Group Holding Company Limited (stock code: 6878), the shares of which are listed on the Main Board of the Stock Exchange, with his current position as financial controller. He is also currently an independent non-executive director of Twintek Investment Holdings Limited (Stock Code: 6182) since December 2017, GT Steel Construction Group Limited (Stock Code: 8402) since June 2017 and Cool Link (Holdings) Limited (Stock Code: 8491) since August 2017.

Biographical Details of the Directors and Senior Management

Senior Management

Mr. SHUM Kwo Foo (岑果夫) ("**Mr. Shum**"), aged 69, is the technical director and joined the Group in August 2008. He is mainly responsible for supervising and providing technical support to the performance of foundation works. He is also a director of Hop Kee Construction Company Limited.

Mr. Shum has over 40 years of experience in the construction industry and obtained a degree of Bachelor of Science in engineering from The University of Hong Kong in October 1971. He was admitted as a member of the Institution of Structural Engineer in June 1977, a member of the Hong Kong Institution of Engineers in March 1979 and a member of the Institution of Civil Engineer in June 1981. He is included in the Authorised Person's Register (List of Engineers), Structural Engineers' Register and Geotechnical Engineers' Register kept under section 3 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong). He is also a registered professional engineer registered with the Engineers Registration Board under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong).

Mr. CHAU Kai Keung (周佳強) ("**Mr. Chau**"), aged 76, is the contract manager and joined the Group in October 1995, left in December 2011 and re-joined the Group in April 2015. He is mainly responsible for project management and supervision.

Mr. Chau has over 50 years of experience in the construction industry and obtained a degree of Bachelor of Engineering in civil engineering from the Taiwan Provincial Cheng Kung University (now known as the National Cheng Kung University) in Taiwan in July 1963.

Mr. CHUI Gary Wing Yue (徐永裕) ("**Mr. Chui**"), aged 42, is the financial controller and the company secretary and joined the Group in August 2015. He is mainly responsible for overseeing the financial reporting, financial planning, treasury and financial control and company secretarial matters.

Mr. Chui has over 20 years of experience in auditing, accounting, financial management, taxation and treasury. He obtained a degree of Bachelor of Commerce in accounting and finance from the University of New South Wales in Australia in October 1998 and a degree of Master of Economics in finance from the Jinan University (暨南大學) in the PRC in December 2012. He is a member of certified practising accountant of the CPA Australia and the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

The Group is committed to maintaining good corporate governance to safeguard the interest of shareholders and to achieve effective accountability because the Group believes that is the best way to maximise our shareholder's value.

The Company has adopted the corporate governance code (the "**CG code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). To the best knowledge of the Board, the Company has complied with the CG code during the Review Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the required Model Code's standard during the Review Year.

THE BOARD

Composition

As at the date of this report, the Board is chaired by Mr. Wong Yan Hung and comprised of seven members including four executive Directors and three independent non-executive Directors.

Biographical details of the Directors are set out in the section headed "Biographical Details of the Directors and Senior Management" in this report. Save for Mr. Wong Yan Hung being the father of Mr. Wong Tony Yee Pong, there are no financial, business, family or other material/relevant relationships among members of the Board.

Executive Directors

Mr. Wong Yan Hung *(Chairman)*
Mr. Wong Tony Yee Pong *(Chief executive officer)*
Mr. Lai Kwok Fai *(Chief operating officer)*
Mr. Lam Joseph Chok *(Appointed on 25 May 2017)*

Independent non-executive Directors

Mr. Law Ka Ho
Mr. Leung Wai Lim
Mr. Tam Wai Tak Victor

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**"). The summary of the Board Diversity Policy is disclosed as below:

- the Company recognises the benefits of having a diverse Board to enhance the quality and effectiveness of the Board;

- in designing the Board's composition, Board diversity has been considered from 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 for the benefits of diversity on the Board;

- the selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board; and

- the nomination committee of the Board will report on the Board's composition under diversified perspectives, monitor the implementation of the Board Diversity Policy, review the Board Diversity Policy to ensure effectiveness and recommend for any revisions to the Board for consideration and approval.

Chairman and Chief Executive Officer

To ensure a balance of power and authority, the position of the chairman and chief executive officer of the Company are held by different individuals. Mr. Wong Yan Hung is the chairman and Mr. Wong Tony Yee Pong is the chief executive officer. The primary role of the chairman is to provide leadership for the Board and to ensure it works effectively in discharging its responsibilities. The chief executive officer is responsible for the day-to-day management of the Group's business.

Independent Non-executive Directors

During the Review Year and up to date of this report, the Company has three independent non-executive Directors representing more than one-third of the Board, which is in compliance with rules 3.10(1) and 3.10A of the Listing Rules. Two of the independent non-executive Directors, namely Mr. Law Ka Ho and Mr. Tam Wai Tak Victor, both possessing professional accounting qualifications, or accounting or related financial management expertise, which is in compliance with rules 3.10(2) of the Listing Rules.

Appointment, Re-election and Removal of Directors

Each of the executive and independent non-executive Directors has entered into a service agreement or a letter of appointment with the Company for a specific term and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the amended and restated memorandum and articles of association (the "**Restated Articles**").

In accordance with article 108 of the Restated Articles, at each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

In accordance with article 108 of the Restated Articles, namely Mr. Lai Kwok Fai, Mr. Lam Joseph Chok and Mr. Leung Wai Lim will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, and offer themselves for re- election.

Role and Responsibilities

The Board is responsible for the overall management of the Group and all day-to-day operations and management of the Company's business has been delegated to management under the leadership of the chief executive officer of the Company.

The principal roles of the Board are:

- set long term objectives and strategies;
- approve major policies and guidelines;
- prepare and approve financial statements, annual report and interim report;
- approve major capital expenditures, acquisition and disposals;
- approve connected transactions;
- approve material borrowings and expenditures;
- review and monitor of internal control and risk management; and
- declare and recommend the payments of dividends.

The Board is also responsible for the corporate governance functions of the Company, which includes:

- review the Company's policies and practices on corporate governance;
- review and monitor the training and continuous professional development of directors and senior management;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- review and monitor the code of conduct and compliance manual applicable to employees and directors; and
- review the Company's compliance with the CG code and disclosure in the corporate governance report.

Directors' Insurance

The Company has arranged appropriate insurance coverage for all directors in relation to the discharge of their responsibilities.

Corporate Governance Report

Directors' Training and Professional Development

The Company, from time to time, provides in-house trainings for the Directors in the form of seminars, workshops and/or reading relevant material on the latest development of applicable laws, rules and regulations, management, financial and business issues to develop and refresh their knowledge and skills. The above training costs are borne by the Company.

The Directors are required to provide the Company with details of the training's records. Based on those training's record, the Directors received the following training during the Review Year:

	Type of training	
Directors:	**Reading and/or on-line studying**	**Seminars and/or workshops**
Mr. Wong Yan Hung	✓	✓
Mr. Wong Tony Yee Pong	✓	✓
Mr. Lai Kwok Fai	✓	✓
Mr. Lam Joseph Chok (Appointed on 25 May 2017)	✓	✓
Mr. Law Ka Ho	✓	✓
Mr. Leung Wai Lim	✓	✓
Mr. Tam Wai Tak Victor	✓	✓

Board Process

The Company has in place clear board process. Regular board meetings are scheduled at least four times per year. Directors receive at least 14 days' prior written notice of regular Board meetings and agenda. The Board papers, including supporting analysis and relevant background information, are normally sent to all Directors at least 3 days before the Board meeting. For other Board meetings, Directors are given notice as soon as possible in the circumstances. Directors may include any matters they wish to discuss in the agenda.

Minutes of the Board and committee meetings are prepared and kept by the company secretary of the Company, and are open for inspection by Directors upon request. All Directors have access to the advice and services of the company secretary, and are allowed to seek external professional advice if needed.

During the Review Year, 4 Board meetings were held. The attendance record of the Board meetings and the annual general meeting are set out below:

	Board meetings attended/ Eligible to attend	Annual general meeting attended/ Eligible to attend
Executive Directors:		
Mr. Wong Yan Hung	4/4	1/1
Mr. Wong Tony Yee Pong	4/4	1/1
Mr. Lai Kwok Fai	4/4	1/1
Mr. Lam Joseph Chok (Appointed on 25 May 2017)	3/3	1/1
Independent Non-executive Directors:		
Mr. Law Ka Ho	4/4	1/1
Mr. Leung Wai Lim	4/4	1/1
Mr. Tam Wai Tak Victor	4/4	1/1

BOARD COMMITTEES

To facilitate the work of the Board, the Board has established three board committees to oversee specific aspects of the Company's affairs, namely audit committee (the "**Audit Committee**"), nomination committee (the "**Nomination Committee**") and remuneration committee (the "**Remuneration Committee**"). Each board of committee has its own terms of reference relating to its authority and duties, which have been approved by the Board and are reviewed periodically. The terms of reference of each committee are available on the websites of the Company and the Stock Exchange.

Each board of committee has been provided with sufficient resources to discharge its duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Company established an Audit Committee on 3 September 2016 with written terms of reference in compliance with the CG code. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the Group's financial report system, risk management and internal control procedures, provide advice and comments to the Board, and monitor the independence and objective of the external auditors and perform the corporate governance function.

The Audit Committee consists of three members who are all independent non-executive Directors, namely, Mr. Tam Wai Tak Victor, Mr. Law Ka Ho and Mr. Leung Wai Lim. Mr. Tam Wai Tak Victor is the Chairman of the Audit Committee.

During the Review Year, 2 meetings of the Audit Committee were held and the attendance record of the Audit Committee is set out below:

Name of committee members	Meetings attended/ Eligible to attend
Mr. Tam Wai Tak Victor *(Chairman)*	2/2
Mr. Law Ka Ho	2/2
Mr. Leung Wai Lim	2/2

The following is a summary of the work performed by the Audit Committee:

- reviewed the interim results of the Group;
- reviewed the annual results of the Group;
- reviewed the Group's financial information, and financial report system;
- reviewed the Company's auditors' independence and objectivity;
- made recommendations to the Board on the re-appointment of the Company's external auditors;
- approved the remuneration and terms of engagement of the Company's external auditors;
- reviewed the Company's external auditors' management letter, significant findings and recommendations;
- reviewed the continuing connected transactions and commented on the fairness and reasonableness of the transactions;

- reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- reviewed and discussed the reports from the Company's external consultant with the management;
- reviewed the Group's internal control system and discussed the relevant issues including financial, operational and compliance controls and risks management functions;
- reviewed the Company's compliance with the CG code and disclosure in the Corporate Governance Report; and
- met with the Company's external auditors, in the absence of the management.

There had been no disagreement between the Board and the Audit Committee during the Review Year and up to this date of this report.

Nomination Committee

The Company established a Nomination Committee on 3 September 2016 with written terms of reference in compliance with the CG code. The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board, access the independence of the independent non-executive Directors and make recommendations to the Board regarding appointment of board members and senior management of the Group.

The Nomination Committee consists of an executive Director, namely Mr. Wong Yan Hung and two independent non-executive Directors, namely Mr. Law Ka Ho and Mr. Tam Wai Tak Victor. Mr. Wong Yan Hung is the Chairman of the Nomination Committee.

During the Review Year, 2 meetings of the Nomination Committee were held and the attendance record of the Nomination Committee is set out below:

Name of committee members	Meetings attended/ Eligible to attend
Mr. Wong Yan Hung *(Chairman)*	2/2
Mr. Law Ka Ho	2/2
Mr. Tam Wai Tak Victor	2/2

The following is a summary of the work performed by the Nomination Committee:

- reviewed the structure, size and composition and diversity of the Board;
- assessed and confirmed the independence of the independent non-executive Directors; and
- recommended to the Board regarding the nomination of Mr. Lam Joesph Chok for appointment as an executive Director.

Remuneration Committee

The Company established a Remuneration Committee on 3 September 2016 with written terms of reference in compliance with the CG code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management, and make recommendations on the management remuneration proposals with reference to the corporate goals and objectives of the Board.

The Remuneration Committee consists of an executive Director, namely Mr. Wong Tony Yee Pong and two independent non-executive Directors, namely Mr. Law Ka Ho and Mr. Leung Wai Lim. Mr. Law Ka Ho is the Chairman of the Remuneration Committee.

The remuneration of the Directors and senior management is determined with reference to the responsibilities, workload, the time devoted and the performance of the Group. The Remuneration Committee also ensures that no individual will be involved in determining his own remuneration.

During the Review Year, the remuneration of senior management is listed as below by band:

Band of remuneration (HK$)	No. of person
HK$0 to HK$1,000,000	3

Further details of the remuneration of the Directors and the 5 highest paid employees are set out in note 9 to the consolidated financial statements.

During the Review Year, 3 meetings of the Remuneration Committee were held and the attendance record of the Remuneration Committee is set out below:

Name of committee members	Meetings attended/ Eligible to attend
Mr. Law Ka Ho *(Chairman)*	3/3
Mr. Leung Wai Lim	3/3
Mr. Wong Tony Yee Pong	3/3

The following is a summary of the work performed by the Remuneration Committee:

- considered the remuneration paid to Directors and senior management with reference to their responsibilities, workload, the time devoted and the performance of the Group, as well as remuneration paid by other comparable listed companies;
- reviewed the remuneration policy and structures for Directors and senior management of the Group;
- reviewed and made recommendations on the management remuneration proposals with reference to the corporate goals and objectives of the Board; and
- made recommendations to the Board on the remuneration of independent non-executive Directors.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. The Directors also acknowledge their responsibility to ensure the consolidated financial statements are published in a timely manner. The Directors are not aware of any material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The Auditors' reporting responsibilities are set out in the section headed "Independent Auditors' Report" in this report.

AUDITORS' REMUNERATION

For the Review Year, the fee paid/payable to HLB Hodgson Impey Cheng Limited by the Group, is set out as follows:

	HK$
Audit services	750,000
Non-audit services	130,000

The amount of fee incurred for the non-audit services is mainly the interim review fee. The Audit Committee was satisfied that non-audit services for the Review Year did not affect the independence of the auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the Company's risk management and internal control systems, and for reviewing its effectiveness.

In meeting its responsibility, the departmental heads of the Group have to complete a risk management and internal control self-assessment questionnaires, identify and evaluate those significant risks and confirm to the management that appropriate internal control policies and procedures have been established and properly complied with. The management then reviewed the findings and summarised all material issues to the Board and Audit Committee annually.

The Group has established guidelines and procedures for the approval and control of expenditures, to ensure the reliability of the financial reporting, effectiveness and efficiency of operation and the compliance with applicable laws and regulations. Whilst these guidelines and procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material misstatement, errors, losses, fraud or non-compliance.

Although the Company does not have an internal audit function, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group. The Group has engaged CT Partners Consultants Limited to review the effectiveness and efficiency of the Group's risk management and internal control systems in relation to the financial, operational and compliance controls, and the results were summarised and discussed with the Audit Committee and the Board. The Audit Committee and the Board are satisfied with the effectiveness and adequacy of the risk management and internal control systems of the Group.

INSIDE INFORMATION POLICY

The Company has established policy for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations. Procedures such as limit access to inside information to those who need to know and requiring external parties to execute confidentiality agreement have been implemented by the Company to guard against mishandling of inside information. The Company also reminds those relevant personnel and other professional parties to preserve confidentiality of the inside information until it is publicly disclosed.

COMPANY SECRETARY

The Company has appointed Mr. Chui Gary Wing Yue as the company secretary of the Company (the "**Company Secretary**"), who is responsible for facilitating the Board process, as well as communications among the Directors, with shareholders and management. Mr. Chui has confirmed that for the Review Year, he has taken no less than 15 hours of professional training to upgrade his skills and knowledge. The biography of Mr. Chui is set out in the section headed "Biographical Details of the Directors and Senior Management" in this report.

SHAREHOLDERS' RIGHTS

Procedures for Convening General Meetings by Shareholders

Pursuant to Article 64 of the Restated Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting.

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

Such requisition shall be made in writing to the Board or the Company Secretary by mail at 26/F., Lancashire Centre, 361 Shaukeiwan Road, Shau Kei Wan, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposals at Shareholders' Meeting

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

Pursuant to Article 113 of the Restated Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures by which Enquiries may be put to the Board

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Shareholders are welcomed to send their enquiries to the Board by post to the principal place of business in Hong Kong set out in the section headed "Corporation Information" in this report or by email at info@shunwogroup.com.

INVESTOR RELATIONS

The Board strives to maintain on-going dialogue with shareholders and the investment community, the Company has established a shareholders communication policy to set out the Company's procedures in providing the shareholders and investment community with ready, equal and timely access to balanced and understandable information about the Company.

Latest information on the Group including, but not limited to annual and interim reports, circulars, announcements and notices of annual general meetings are updated on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.shunwogroup.com).

In addition, the Company regards the annual general meeting as an important event as it provides an opportunity for direct communication between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting, where all Board members and external auditors are available to answer questions on the Group's business.

The annual general meeting will be held on 6 September 2018, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Review Year, there had been no significant changes in the constitutional documents of the Company.

Environmental, Social and Governance Report

The Board is pleased to submit this 2018 Environmental, Social and Governance ("**ESG**") report (the "**ESG Report**").

Scope and Review Year

The Group has long history in Hong Kong foundation industry, and has been committed to managing its business in a sustainable manner.

The Group believes that environmental protection, low-carbon, conservation of resources, and sustainable development for the social trends are important to the future of the Group. In order to pursue a successful and sustainable business model in the broader social trends, the Group recognises the importance of incorporating environmental, social and governance concepts into its risk management system and will take appropriate measures from day-to-day operation and governance.

Basis of Preparation

The ESG Report is prepared pursuant to the ESG Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 of the Listing Rules. It reports on the major measures and activities implemented by the Group in respect of environmental and social aspects during the Review Year. The ESG Report is also prepared pursuant to the "comply or explain" provisions under the ESG Reporting Guide. To ensure the accuracy of environment-related key performance indicators, the Group has engaged GRC Chamber Limited (the "**Consultant**"), a consulting firm to assist on conducting the ESG Report. The last section of the ESG Report provides a complete indexing to allow easy reference in accordance with the ESG Reporting Guide.

Stakeholders' Feedback

The Group welcomes stakeholders' feedback on its ESG approach and performance which will help the Group continuously improve its sustainability performance.

EMISSIONS

The Group attaches the importance to the balance of business development and its impact on the environment, formulates and implements the ESG regulations, recognising its responsibilities and commitment in environmental aspect, with an aim to better use of natural resources effectively and minimise the emission of pollutants from its business operation and reduce its negative impacts on the environment.

As such, the Group has implemented different measures to reduce pollution, noise and construction waste in the course of the operation by:

— the use of non-road mobile machinery approved by Environmental Protection Department ("**EPD**") label;

— the use of hand-held percussive breakers and air compressors with noise emission label; and

— the use of trip-ticket system to record disposal of construction waste to disposal facilities.

Electricity consumed in the corporate office and fuel and diesel consumed in the plant and machinery, trucks, lorries and vehicles in construction foundation operation are the major sources of greenhouse gas emission and energy footprints. During the Review Year, the Group has adopted the concept of efficiency use of resource into its operation.

- conduct routine repair and maintenance on vehicles plant and machinery, equipment, trucks and lorries
- select energy efficient equipment
- minimise idling time of the vehicles during operation
- use environmentally friendly engine oil
- the use of electric vehicle
- turn on the air-conditioning only when necessary and set the termperature between 24–26ºC and select a suitable air delivery speed
- switch off electrical devices and equipment after office hours

Through the above measures, the Group believes that it will change the behaviour of the use of energy in the workplace and eventually achieve the goal of reducing greenhouse gas emission in a sustainable manner.

During the Review Year, the Group do not generate material hazardous waste in the course of the operation. For non-hazardous waste, it was mainly paper used in the corporate office. When using paper, employees are encouraged to (i) use double-sided paper, black and white; (ii) adjust the margin and font size of documents as far as practicable in order to optimise use of paper; and (iii) use emails for communication as far as practicable.

Besides that, construction waste is considered as one of the major environmental issues in Hong Kong. The Group do not accept any illegal dumping of construction waste. In accordance with the enactment of the Construction Waste Disposal Charging Scheme in January 2005, the Group has opened billing accounts with the EPD to pay for the construction waste disposal.

During the Review Year, the Group has complied with relevant environmental laws and regulations in all material aspects. The Group is not aware of any non-compliance incidents relating to air and greenhouse gas emission, discharge into water and land, and generation of hazardous and non-hazardous wastes.

USE OF RESOURCES

Environmental Performance

Diesel consumption is the Group's major sources of greenhouse gas ("**GHG**") emissions. The source of consumption are vehicles, plant and machinery, equipment, trucks and lorries.

The Group's GHG emissions are estimated by reference to the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes)" issued by the EPD and the Electrical and Mechanical Services Department.

Due to constraint of reference, the air emission data listed below focus on generators with travelling distance record such as vehicles, trucks and lorries.

Energy use and emissions	Unit	FY2018	Intensity (unit/million sales)[1]
Electricity	kWh	46,252	351
Fuel	litre	6,655	50
Diesel	litre	273,726	2,077
Greenhouse Gas Emission	CO_2e (tonnes)	791	6
Nitrogen Oxides (NOx)	kg	410	3
Sulphur Oxides (Sox)	kg	1	n/a
Particulate Matter (PM)	kg	34	n/a

Use of resources	Unit	FY2018	Intensity (unit/million sales)[1]
Paper	kg	983	7
Water[2]	litre	11,218	85
Construction waste	tonnes	41,177	312

Notes:

1 *Intensity is calculated by the total amount consumption over total revenue for the Review Year, approximately HK$131.8 million.*

2 *Water consumption here refers to water used in construction site (11,092 litre) and water used in warehouse (126 litre).*

ENVIRONMENT & NATURAL RESOURCES

The Group pursues the best practice between the development and the environment, and takes into careful consideration of all the aspects and activities within the supply chain to mitigate the impact on the environment. To achieve the sustainable development of the environment, the Group performs operational and financial review, interaction with business partners and receive professional advice from external consultant and adviser on topic such as compliance, effective use of resources, and industry changes.

EMPLOYMENT & LABOUR STANDARDS

On the social aspect, the Group complies with all the relevant laws and regulations applicable in the places of the business operation and develops policies in relation to employment health and safety.

Human Resource Management and Labour Standards

Human Resource ("HR") management is an integral part of the overall business strategy. The Group's HR policies are in line with the employment laws in Hong Kong. The Group is determined to provide a desirable workplace and stable career environment to the employees. The HR policies cover the Group's standard in respect of compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare. Salaries and wages are usually subject to annual review, which are based on performance appraisals and other relevant factors. Internal promotion is offered to existing staff with outstanding performance. The Group also provides reasonable working hours and rest period, with different types of leave including annual, maternity, paternity and examination leaves to further cater the needs of the employees.

The Group considers that the working environment and benefits offered to the employees and dispatched workers have contributed to building good staff relations and retention. Remuneration, promotion and termination system and decision are irrespective of gender, age, race, religion, political affiliation, and national origin. The Group generally recruits employees through placing advertisement in the open market with reference to factors such as their experience, qualification and expertise required for the business operation. The Group determines the employee's remuneration based on factors such as qualification, contribution and years of experience. The key principle of the Group's remuneration policy is to remunerate employees in a manner that is market competitive. The Group regularly carries out staff evaluation to assess their performance. During the Review Year, the Group has complied with all applicable laws and regulations in relation to employment and labour standard, including, but not limited to:

— Employment Ordinance (Chapter 57 of the Laws of Hong Kong);

— Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong); and

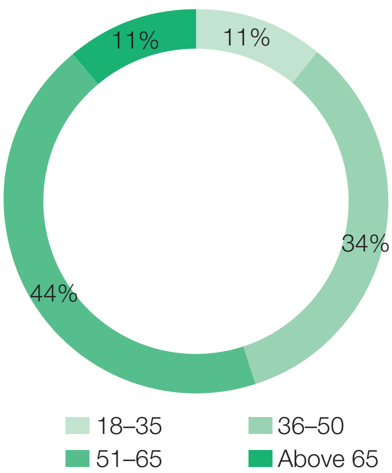
— Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong).

The Group also confirms that child and forced labour are strictly prohibited in the business operation.

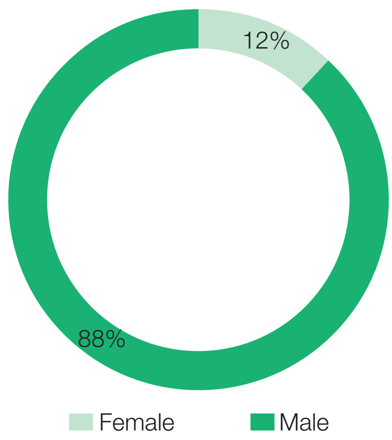
Employee structure

In the course of the operation and industrial characteristic, the Group employs construction workers on project basis. Therefore the traditional method of calculating turnover rate would be extraordinary high and does not allow for an appropriate illustration. Below is the full-time permanent employees structure as at 31 March 2018:

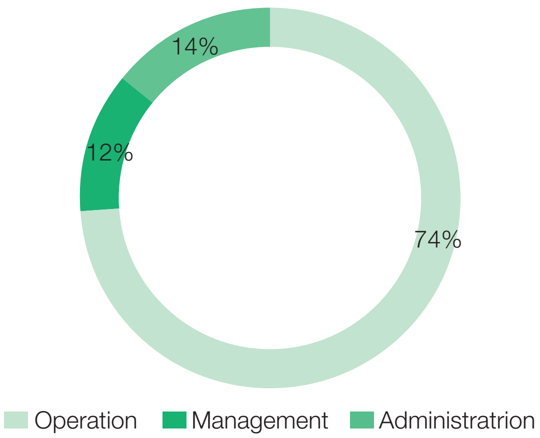
By Age Group



By Gender



By Job Function



Note:

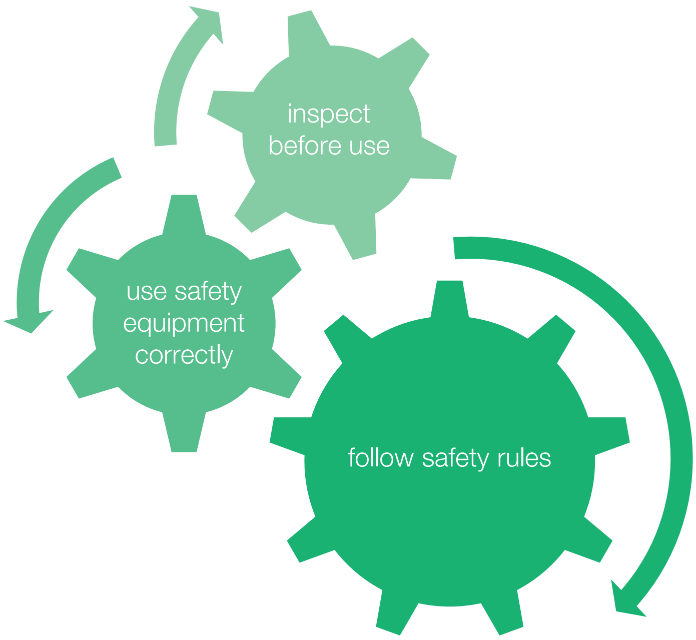
Figures are rounded to the nearest integer.

SAFETY WORKING ENVIRONMENT

The Group is dedicated to design, develop and deliver our service that adhere to the relevant key health and safety standards in compliance with Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (the "**OSHO**") issued by Occupational, Safety and Health Council.

Work safety mechanism

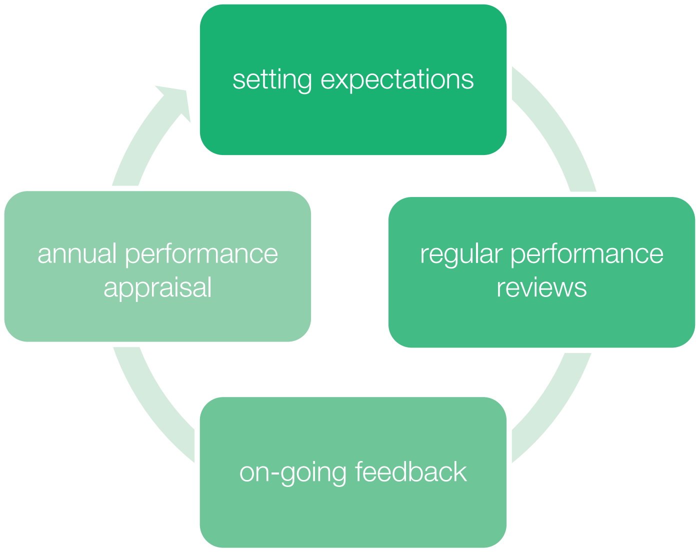
The ability of the employees is critical to reducing accidents. The Group regularly provides on-site and mechanical safety training, provides appropriate and adequate tools for employees to operate effectively, posts safety and operational instructions in conspicuous places, minimising the possibilities of significant occupational safety and health impacts.



During the Review Year, there was one accident and there was no material non-compliance related to providing a safe working environment and protecting employees from occupational hazards. Through this accident, the company will increase its employees' occupational health requirements and pay more attention to the personal safety of the employees on the sites.

STAFF DEVELOPMENT

The Group recognises the importance of having good relationship with the employees. The Group, therefore, invest in the growth of the people to upgrade their respective competencies, and in turn, allow them to perform their individual jobs effectively.



The Group believes that the quality and capability of the employees are closely related to the performance of the Group and invests in the growth of the employees to improve their abilities and their mastery of the work.

The Group also encourages and supports employees to participate in personal and professional training. During the Review Year, the Group has provided a wide range of training activities, such as technical seminars organised by Hong Kong Institute of Construction Managers Limited and Construction Industry Council.

Internal Courses

Seminars are occasionally provided on topics such as emergency handling procedures, occupational safety and health, tool box training, and experience sharing.

SUPPLY CHAIN MANAGEMENT

The Group has established stringent internal controls to acquire goods and services through objective oriented process. The selection of suppliers and subcontractors will be based on background, pricing, service, quality, reputation, and after-sales support, as well as environmental protection considerations.

Once the selection of new supplier and subcontractor are confirmed, they will become our approved suppliers after the management's approval. Besides that, the procurement department regularly reviews the existing suppliers and subcontractors' terms and takes necessary precaution measures when applicable.

PROJECT MANAGEMENT

The Group's revenue mainly comes from project with non-recurring nature but recurring client i.e. developers and landlord. The Group believes a strong and good relationship with customers would increase its recognition and visibility. As such, the Group has set up a customer communication channel dedicated to handle customers' queries and feedback efficiently. New business is mainly achieved through the direct invitation from customers to quote or bid. Framework of project management is maintaining an active communication manner with customer and other professional parties in every project.

The supervisor and management constantly communicate with the business partners in each project to exchange comments and follow-up procedures.

During the Review Year, the Group has not received any significant service-related complaint.

Data Privacy

In the course of business operation, the Group only collects and maintains basic and public information of the customers. On this basis, the Group considers that is a low risk impact over the area of data privacy. Nevertheless, the practices of collecting, maintaining and using customer information are in line with Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong). During the Review Year, the Group is in compliance with the Personal Data (Privacy) Ordinance.

ANTI-CORRUPTION

The Group realises the importance of staff integrity. All business activities within the Group are carried out in good faith and in ethical and lawful manner and the Group has established guidelines and procedures for the approval of receipt of income and control of expenditure.

Employees are required to comply with the clauses listed in the compliance manual and staff handbook that outline the behaviours and situations in business expected of the employees. Employees shall promptly report to the management if they are likely to accept gifts from clients, suppliers or subcontractors. During the Review Year, the Group has complied with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). The Group was also not involved in any legal cases regarding corrupt practices brought against the Group or its employee.

COMMUNITY INVESTMENT

As a responsible corporation, the Group has been working towards to building a beautiful and healthy community and has engaged the Spastic Children's Association of Hong Kong to provide cleaning services on a weekly basis and sponsored some charitable events hosted by charity organisation. Looking forward, the Group will actively seek opportunities to contribute to society in different ways and help the communities in need.

ESG REPORTING GUIDE INDEX

ESG Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
A. Environment			
A1	Emissions	Emissions	Complied
KPI A1.1	The types of emissions and respective emissions data.	Use of Resources	Complied
KPI A1.2	Greenhouse gas emissions in total, and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Use of Resources	Complied
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable — total hazardous waste produced in operation were insignificant	Explained
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Use of Resources	Complied
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Insufficient data of previous year for the results achieved	Explained
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Insufficient data of previous year for the results achieved	Explained
A2	Use of Resources	Emissions Use of Resources	Complied
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources	Complied
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources	Complied
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Insufficient data of previous year for the results achieved	Explained
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Not applicable — sourcing water in operation was insignificant	Explained

ESG Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable — packaging materials used in operation were insignificant	Explained
A3	The Environment and Natural Resources	Environment & Natural Resources	Complied
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Use of Resources Environment & Natural Resources	Complied
B. Social			
B1	Employment	Employment & Labour Standards	Complied
B2	Health and Safety	Safety Working Environment	Complied
B3	Development and Training	Staff Development	Complied
B4	Labour Standards	Employment & Labour Standards	Complied
B5	Supply Chain Management	Supply Chain Management	Complied
B6	Product Responsibility	Project Management except that advertising and labelling relating to products and services were insignificant	Complied and explained
B7	Anti-corruption	Anti-Corruption	Complied
B8	Community Investment	Community Investment	Complied

Directors' Report

The Board is pleased to submit this annual report together with the audited financial statements of the Group for the Review Year.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, the principal activities of its principal subsidiaries are set out in note 13 to the consolidated financial statements.

RESULTS/BUSINESS REVIEW

The results of the Group for the Review Year are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 47 in this report. The business review of the Group for the Review Year is set out in the section headed "Management Discussion and Analysis" on pages 4 to 10 in this report.

SHARE CAPITAL

Details of movement in the share capital of the Company during the Review Year are set out in note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the Review Year are set out in the section headed "Consolidated Statement of Changes in Equity" on page 49.

Distributable reserves of the Company at 31 March 2018, calculated under the Companies Law of Cayman Islands amounted to approximately HK$50.8 million.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of any final dividend for the Review Year.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

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

PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Group during the Review Year are set out in note 14 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Restated Articles or the Laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 14 to 23 in this report.

ANNUAL GENERAL MEETING ("AGM")

The 2018 AGM will be held on Thursday 6, September 2018. The notice of the AGM will be published and dispatched to shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Saturday, 1 September 2018 to Thursday, 6 September 2018 (both dates inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming AGM. No transfer of shares may be registered on those dates. In order to qualify for the shareholders' entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's Branch Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Friday, 31 August 2018.

DIRECTORS

The Directors of the Company during the Review Year and up to the date of this report are:

Executive Directors:
Mr. Wong Yan Hung
Mr. Wong Tony Yee Pong
Mr. Lai Kwok Fai
Mr. Lam Joseph Chok (Appointed on 25 May 2017)

Independent Non-executive Directors:
Mr. Law Ka Ho
Mr. Leung Wai Lim
Mr. Tam Wai Tak Victor

In accordance with article 108 of the Restated Articles, at each AGM, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

In accordance with article 108 of the Restated Articles, namely Mr. Lai Kwok Fai, Mr. Lam Joseph Chok and Mr. Leung Wai Lim will retire from office as Directors at the forthcoming AGM of the Company, being eligible, and offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of 3 years and shall continue thereafter until being terminated by either party giving not less than three months' written notice.

Each of the independent non-executive Directors has entered a letter of appointment with the Company for a term of 2 years and shall continue thereafter until being terminated by either party giving not less than three months' written notice.

None of the Directors being proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

NON-COMPETITION UNDERTAKING

Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong, Mr. Lai Kwok Fai and May City Holdings Limited ("**May City**") (collectively, the "**Controlling Shareholders**") entered into a deed of non-competition dated 3 September 2016 in favour of the Company and the subsidiaries (the "**Deed of Non-Competition**"). Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of the subsidiaries), among others, that, during the period which (i) the Shares remain listed in the Stock Exchange and (ii) the Controlling Shareholder and their close associates (other than members of the Group) individually or jointly, are entitled to exercise, or control the exercise of, not less 30% of the voting power at general meeting of the Company or the Controlling Shareholders or the relevant close associates remains as a director of any member of the Group, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to carry on or be engaged, concerned or interested, or otherwise be involved be involved directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group or any business activity to be conducted by any member of the Group from time to time.

Each of the Controlling Shareholders further undertakes that if any business investment or other commercial opportunity which may compete with the business of the Group is identified by or offered to him/it, he/it shall procure that his/its close associates to promptly notify the Group in writing and the Group shall have a right of first refusal to take up such opportunity. The Group shall within 30 days after the receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Controlling Shareholders whether the Group will exercise the right of first refusal.

The Company has received a written confirmation from the Controlling Shareholders in respect of the compliance with and the enforcement of the terms of the Deed of Non-Competition by the Controlling Shareholders during the Review Year.

All independent non-executive Directors have reviewed the compliance of the Deed of Non-Competition entered into by the Controlling Shareholders as to whether the Controlling Shareholders had abided by the Deed of Non-Competition. All independent non-executive Directors also confirmed that the Controlling Shareholders had not been in breach of the Deed of Non-Competition during the Review Year.

Directors' Report

COMPETING INTERESTS

The Directors confirm that neither the Directors nor the controlling shareholders of the Company nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Review Year, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

COMPLIANCE ADVISER'S INTERESTS

As notified by the Company's compliance adviser, Grande Capital Limited (the "**Compliance Adviser**"), as at 31 March 2018, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 29 January 2018, the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

CHANGE OF COMPLIANCE ADVISER

Dakin Capital Limited ("**Dakin**") has resigned as the compliance adviser of the Company with effect from 1 February 2018 due to the change in personnel of Dakin. Grande Capital Limited has been appointed as the new compliance adviser of the Company pursuant to Rule 3A.27 of the Listing Rules with effect from 1 February 2018. For further details, please refer to the announcement of the Company dated 31 January 2018.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements in this report and the Prospectus, is set out on page 90.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising from corporate activities.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Review Year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 11 to 13.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set in note 9 to the consolidated financial statements.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

As at 31 March 2018, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") in the Listing Rules, notified to the Company and the Stock Exchange, were as follows:

i. Long position in our Shares

Name of Directors	Capacity/Nature	Number of Shares held/interested	Percentage of shareholding
Mr. Wong Yan Hung	Interest in a controlled corporation *(Note)*	2,040,000,000	51%
Mr. Wong Tony Yee Pong	Interest in a controlled corporation *(Note)*	2,040,000,000	51%
Mr. Lai Kwok Fai	Interest in a controlled corporation *(Note)*	2,040,000,000	51%

Note:

These 2,040,000,000 Shares are held by May City, the entire issued share capital of which is owned as to 40% by Mr. Wong Yan Hung, 30% by Mr. Wong Tony Yee Pong and 30% by Mr. Lai Kwok Fai. Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai have had a mutual understanding all along to jointly control the Group and thus they are presumed to be acting in concert (within the meaning of the Takeovers Code). Therefore, each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is deemed, or taken to be, interested in all the Shares held by May City for the purposes of the SFO. Each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is a director of May City.

ii. Long position in the shares of associated corporation

Name of Directors	Name of associated corporation	Capacity/Nature	Number of shares held/interested in	Percentage of interest
Mr. Wong Yan Hung	May City	Beneficial interest	40	40%
Mr. Wong Tony Yee Pong	May City	Beneficial interest	30	30%
Mr. Lai Kwok Fai	May City	Beneficial interest	30	30%

Save as disclosed above, as at 31 March 2018, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

INTERESTS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2018, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in Shares or underlying Shares which would fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name	Capacity/Nature	Number of Shares held/interested in	Percentage of interest
May City	Beneficial interest *(Note 1)*	2,040,000,000	51%
Ms. Choi Mei Chu	Interest of spouse *(Note 2)*	2,040,000,000	51%
Ms. Lee Pik Yu, Kenji	Interest of spouse *(Note 3)*	2,040,000,000	51%
Ms. Mak Kit Ling	Interest of spouse *(Note 4)*	2,040,000,000	51%

Notes:

1. *These 2,040,000,000 Shares are held by May City, the entire issued share capital of which is owned as to 40% by Mr. Wong Yan Hung, 30% by Mr. Wong Tony Yee Pong and 30% by Mr. Lai Kwok Fai. Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai have had a mutual understanding all along to jointly control the Group and thus they are presumed to be acting in concert (within the meaning of the Takeovers Code). Therefore, each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is deemed, or taken to be, interested in all the Shares held by May City for the purposes of the SFO. Each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is a director of May City.*

2. *Ms. Choi Mei Chu is the spouse of Mr. Wong Yan Hung and is deemed or taken to be interested in all the Shares in which Mr. Wong Yan Hung has, or is deemed to have, an interest for the purposes of the SFO.*

3. *Ms. Lee Pik Yu, Kenji is the spouse of Mr. Wong Tony Yee Pong and is deemed or taken to be interested in all the Shares in which Mr. Wong Tony Yee Pong has, or is deemed to have, an interest for the purposes of the SFO.*

4. *Ms. Mak Kit Ling is the spouse of Mr. Lai Kwok Fai and is deemed or taken to be interested in all the Shares in which Mr. Lai Kwok Fai has, or is deemed to have, an interest for the purposes of the SFO.*

Save as disclosed above, as at 31 March 2018, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 3 September 2016. The principal terms of the Share Option Scheme are summarised in note 22 to the consolidated financial statements. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 3 September 2016, and there is no outstanding share option as at 31 March 2018.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

At no time during the Review Year and up to the date of this report was the Company or any of its subsidiaries or a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of sales and purchases for the Review Year attributable to the Group' major customers and suppliers are as follow:

Sales	
— the largest customer	33%
— five largest customers	88%
Purchases	
— the largest supplier	14%
— five largest suppliers	45%

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

DONATIONS

During the Review Year, the Group made charitable and other donations amounting to HK$93,000.

RELATED PARTIES

Details of the significant related party transactions undertaken in the normal course of business are set out in the note 28 to the consolidated financial statements, and none of which constitutes a disclosable connected transaction as defined under the Listing Rules.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 13 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules during the Review Year and up to the date of this report.

Directors' Report

RETIREMENT SCHEME

The Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Save as the aforesaid, the Group did not participate in any other pension schemes during the Review Year.

AUDITORS

The consolidated financial statement for the Review Year have been audited by HLB Hodgson Impey Cheng Limited, who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

EVENTS AFTER THE REVIEW YEAR

The Directors confirm that no significant event has taken place after the Review Year.

By Order of the Board
Shun Wo Group Holdings Limited
Wong Yan Hung
Chairman

Hong Kong, 25 June 2018

Independent Auditors' Report

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

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

TO THE SHAREHOLDERS OF
SHUN WO GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shun Wo Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 47 to 89, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Accounting for construction contract revenue, gross profit and related receivables and liabilities	
We identified the revenue and profit recognition of contracting service and gross amounts due from customers for contract work as a key audit matter due to significant management judgements and estimation are required in the determination of the total outcome of the contracting service contracts as well as the percentage of completion of contracting service.	Our audit procedures included: • Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management. • Understanding from management about how the budgets were prepared and the respective stage of completion were determined. • Reviewing the reasonableness of key judgements inherent in the budgets. • Obtaining the certificates issued by customers to evaluate the reasonableness of percentage of completion as at year end. • Assessing the reliability of budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis. • Checking the gross amounts due from customers for contract work by agreeing the amount of progress billings, on a sample basis, to billings issued to customers.

OTHER INFORMATION

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 auditors' report thereon.

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

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

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

Independent Auditors' Report

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Mr. Kwok Kin Leung.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769

Hong Kong, 25 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	*5*	**131,781**	218,648
Direct costs		**(106,247)**	(167,403)
Gross profit		**25,534**	51,245
Other income, other gains and losses	*5*	**2,287**	1,497
Administrative and other operating expenses		**(21,042)**	(28,226)
Finance costs	*6*	**(218)**	(435)
Profit before income tax	*7*	**6,561**	24,081
Income tax expense	*10*	**(999)**	(5,923)
Profit and total comprehensive income for the year attributable to owners of the Company		**5,562**	18,158
Earnings per share attributable to owners of the Company			
— Basic and diluted earnings per share (HK cents)	*11*	**0.14**	0.50

Details of dividends are disclosed to note 12 to the consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

AS AT 31 MARCH 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**19,882**	20,557
Current assets			
Gross amounts due from customers for contract work	*16*	**15,445**	14,925
Trade and other receivables	*17*	**54,113**	47,597
Bank deposits	*18*	**22,812**	42,663
Current income tax recoverable		**473**	1,362
Cash and cash equivalents	*19*	**73,038**	49,415
		165,881	155,962
Total assets		**185,763**	176,519
EQUITY			
Equity attributable to owners of the Company			
Capital and reserves			
Share capital	*20*	**40,000**	40,000
Reserves	*21*	**122,371**	116,809
Total equity		**162,371**	156,809
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	*24*	**–**	2,938
Deferred tax liabilities	*25*	**2,143**	2,033
		2,143	4,971
Current liabilities			
Trade and other payables	*23*	**18,551**	9,765
Finance lease liabilities	*24*	**2,698**	4,974
		21,249	14,739
Total liabilities		**23,392**	19,710
Total equity and liabilities		**185,763**	176,519
Net current assets		**144,632**	141,223
Total assets less current liabilities		**164,514**	161,780

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 June 2018 and signed on its behalf by:

Mr. Wong Yan Hung
Director

Mr. Wong Tony Yee Pong
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2018

	Share capital HK$'000 *(Note 20)*	Share premium HK$'000 *(Note 21)*	Merger reserve HK$'000 *(Note 21)*	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2016	200	–	–	61,829	62,029
Profit and total comprehensive income for the year	–	–	–	18,158	18,158
Dividends *(Note 12)*	–	–	–	(20,001)	(20,001)
Reorganisation	(198)	–	198	–	–
Shares issued pursuant to the capitalisation issue	31,998	(31,998)	–	–	–
Shares issue pursuant to the share offer	8,000	96,000	–	–	104,000
Shares issuance costs	–	(7,377)	–	–	(7,377)
Balance at 31 March 2017	40,000	56,625*	198*	59,986*	156,809
Profit and total comprehensive income for the year	–	–	–	5,562	5,562
Balance at 31 March 2018	**40,000**	**56,625***	**198***	**65,548***	**162,371**

* *These reserve accounts comprise the consolidated reserves of approximately HK$122,371,000 (2017: HK$116,809,000) in the consolidated statement of financial position.*

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Net cash generated from operations	*26(a)*	**16,405**	7,103
Tax paid		**–**	(10,437)
Net cash generated from/(used in) operating activities		**16,405**	(3,334)
Cash flows from investing activities			
Interest received		**658**	348
Decrease/(increase) in bank deposits		**19,000**	(39,000)
Purchases of property, plant and equipment		**(7,671)**	(5,129)
Proceed from disposal of property, plant and equipment		**663**	390
Net cash generated from/(used in) investing activities		**12,650**	(43,391)
Cash flows from financing activities			
Interest paid		**(218)**	(435)
Proceeds from share offer		**–**	96,623
Repayment of finance leases liabilities		**(5,214)**	(6,014)
Dividends paid		**–**	(20,001)
Net cash (used in)/generated from financing activities		**(5,432)**	70,173
Net increase in cash and cash equivalents		**23,623**	23,448
Cash and cash equivalents at the beginning of year		**49,415**	25,967
Cash and cash equivalents at the end of year		**73,038**	49,415

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Shun Wo Group Holdings Limited (the "**Company**") is an investment holding company. The Company and its subsidiaries (collectively referred as to the "**Group**") is principally engaged in undertaking foundation works in Hong Kong.

The Company was incorporated in the Cayman Islands on 3 May 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 28 September 2016.

As at 31 March 2018, its parent and ultimate holding company is May City Holdings Limited ("**May City**"), a company incorporated in the British Virgin Islands (the "**BVI**") and owned as to 40% by Mr. Wong Yan Hung ("**Mr. YH Wong**"), 30% by Mr. Wong Tony Yee Pong ("**Mr. Tony Wong**") and 30% by Mr. Lai Kwok Fai ("**Mr. Lai**").

The address of the registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is 26th Floor, Lancashire Centre, 361 Shaukeiwan Road, Hong Kong.

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

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange (the "**Reorganisation**"), the group entities were under the control of Mr. YH Wong, Mr. Tony Wong and Mr. Lai. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 18 May 2016. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the year ended 31 March 2017. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. YH Wong, Mr. Tony Wong and Mr. Lai prior to and after the Reorganisation.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. The consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements set out in this report have been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

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

2.1.1 Change in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

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

Amendments to HKAS 7 *Disclosure Initiative*

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

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

A reconciliation between the opening and closing balances of these items is provided in note 26 (b). Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 26 (b), the application of these amendments has had no impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Change in accounting policy and disclosures (continued)

(b) *New standards, amendments and interpretations not yet adopted*

The following new standards, amendments and interpretations to existing standards have been published that are not mandatory for 31 March 2018 reporting period and have not been early adopted by the Group.

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

1 *Effective for annual periods beginning on or after 1 January 2018.*
2 *Effective for annual periods beginning on or after 1 January 2019.*
3 *Effective for annual periods beginning on or after a date to be determined.*
4 *Effective for annual periods beginning on or after 1 January 2021.*

HKFRS 9 *Financial instruments*

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Change in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations not yet adopted (continued)

HKFRS 9 *Financial instruments* (continued)

Based on the Group's financial instruments and risk management policies as at 31 March 2018, application of HKFRS 9 in the future may have an impact on the Group's financial assets. The expected credit loss model may result in early provision of credit losses which have not yet incurred in relation to the Group's financial assets measured at amortised cost. The directors of the Company anticipate that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on the analysis of the Group's financial instruments as at 31 March 2018.

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Change in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations not yet adopted (continued)

HKFRS 15 *Revenue from Contracts with Customers* (continued)

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

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

HKFRS 16 *Leases*

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Change in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations not yet adopted (continued)

HKFRS 16 *Leases* (continued)

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$931,000 as disclosed in note 27. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for as low value or short-term leases.

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

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

2.2 Principal of consolidation

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2.4 Separate financial statements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Merger accounting for common control combinations

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

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

2.6 Segment reporting

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

2.7 Foreign currency translation

Functional and presentation currency

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

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Leasehold improvements	Over shorter of lease terms or 20%
Furniture, fixtures and office equipment	20%
Plant, machinery and equipment	20%
Motor vehicles	30%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (continued)

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "bank deposits" and "cash and cash equivalents" in the consolidated statement of financial position.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Dividends on financial assets at fair value through profit or loss are recognised in profit or loss when the Group's right to receive payments is established.

Interest on loans and receivables calculated using the effective interest method is recognised in the consolidated statement of profit or loss and other comprehensive income.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Impairment of financial assets

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

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

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

2.13 Gross amounts due from/to customers for contract work

A construction contract is defined in HKAS 11 as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Gross amounts due from/to customers for contract work (continued)

The Group presents as an asset the gross amounts due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "trade and other receivables".

The Group presents as a liability the gross amounts due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2.14 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

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

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 Trade and other payable

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

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

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Other borrowing cost are expensed in the period in which they are incurred.

2.20 Current and deferred income tax

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

Current income tax

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

Deferred income tax

Deferred income tax is provided using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Retirement benefits

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

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

2.22 Share-based payments

Share-based compensation benefits are provided to employees via an employee share scheme. Information relating to the scheme is set out in note 22.

The fair value of options granted under the scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

2.24 Contingent liabilities and continent assets

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.25 Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

Revenue from contract work is recognised based on the percentage of completion of the contracts, provided that the percentage of contract completion and the gross billing value of contracting work can be measured reliably. The percentage of completion of a contract is established by reference to the construction works certified by customers.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Rental income

Rental income from leased machineries are recognised in profit or loss on a straight-line basis over the term of the lease.

2.27 Interest income

Interest income is recognised using the effective interest method.

2.28 Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2.29 Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and financial liabilities.

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group does not expose to significant interest rate risk arising from its borrowings as the Group's finance lease liabilities are at fixed interest rates. The fixed rate instruments of the Group are insensitive to any change in market interest rates. The Group currently does not hedge its exposure to the interest rate risk as the management of the Group consider that the risk is insignificant.

Credit risk

Credit risk arises mainly from trade and other receivables, bank deposits and cash and cash equivalents. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank deposits and cash and cash equivalents is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables, individual credit evaluations are performed on the Group's customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of the reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2018, there were 3 customers (2017: 3) which individually contributed over 10% of the Group's trade and other receivables. The aggregate amounts of trade and other receivables from these customers amounted to approximately 57.4% of the Group's total trade and other receivables as at 31 March 2018 (2017: 75.2%).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient financial resources to fund their operations.

The following table details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group may be required to pay:

	On demand or within one year HK$'000	Over one year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2018				
Trade and other payables	**18,551**	**–**	**18,551**	**18,551**
Finance lease liabilities	**2,734**	**–**	**2,734**	**2,698**
	21,285	**–**	**21,285**	**21,249**
As at 31 March 2017				
Trade and other payables	9,765	–	9,765	9,765
Finance lease liabilities	5,189	2,977	8,166	7,912
	14,954	2,977	17,931	17,677

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities divided by the total equity.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (continued)

The gearing ratios of the Group are as follows:

	2018 HK$'000	2017 HK$'000
Finance lease liabilities *(Note 24)*	2,698	7,912
Total equity	162,371	156,809
Gearing ratio	1.7%	5.0%

3.3 Fair values measurements

The fair value measurements are categorised under the three-level fair value hierarchy as defined in HKFRS 13 *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As at 31 March 2018 and 2017, the Group has no financial instruments measured at fair value subsequent to initial recognition on a recurring basis.

The directors of the Company considers that the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position are not materially different from their fair values at 31 March 2018 and 2017.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at the end of the reporting period.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

5. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents construction contract receipts in the ordinary course of business. Revenue and other income, other gains and losses recognised during the reporting period are as follows:

	2018 HK$'000	2017 HK$'000
Revenue		
Main contracting	27,752	64,638
Sub-contracting	104,029	154,010
	131,781	218,648
Other income, other gains and losses		
Rental income	314	345
Gain on disposal of property, plant and equipment	1,215	92
Dividend income from financial assets	348	–
Interest income	658	348
Loss on disposal of financial assets	(257)	–
Others	9	712
	2,287	1,497

5. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors regards the Group's business as a single operating segment and reviews consolidated financial statements accordingly. Also, the Group only engages its business in Hong Kong and all the non-current assets of the Group are located in Hong Kong. Therefore, no segment and geographical information is presented.

Information about the major customers

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

	2018 HK$'000	2017 HK$'000
Customer A[2,5]	**43,345**	NA[4]
Customer B[3,5]	**26,978**	108,469
Customer C[2]	**21,719**	NA[4]
Customer D[2]	**18,824**	NA[4]
Customer E[2]	**NA[4]**	34,659
Customer F[1]	**NA[4]**	27,565

1 *Revenue from main contracting.*

2 *Revenue from sub-contracting.*

3 *Revenue from both main and sub-contracting.*

4 *The corresponding revenue did not contribute over 10% of total revenue of the Group.*

5 *The customer represents a collective of companies within a group.*

6. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on finance leases	**218**	435

7. PROFIT BEFORE INCOME TAX

	2018 HK$'000	2017 HK$'000
Included in direct costs:		
Depreciation of owned assets *(Note 14)*	**2,154**	1,397
Depreciation of assets under finance leases *(Note 14)*	**2,290**	2,203
Staff costs *(Note 8)*	**22,354**	24,130
Operating lease rental in respect of		
— Plant and machinery	**2,342**	4,025
— Others	**20**	41
Included in administrative and other operating expenses:		
Auditors' remuneration	**750**	750
Depreciation of owned assets *(Note 14)*	**1,932**	1,971
Depreciation of assets under finance leases *(Note 14)*	**1,242**	1,354
Listing expenses	**–**	9,175
Operating lease rental in respect of		
— Premises	**1,302**	1,010
— Car parks	**156**	84
Staff costs, including directors' emoluments *(Note 8)*	**10,278**	7,146

8. EMPLOYEE BENEFITS EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS

	2018 HK$'000	2017 HK$'000
Salaries and allowances	**31,696**	31,104
Retirement scheme contributions		
— Defined contribution plan	**919**	961
	32,615	32,065
Add/(less): Amount included in gross amounts due from customers for contract work	**17**	(789)
	32,632	31,276

The Group operates a defined contribution scheme in Hong Kong which comply with the requirements under the Mandatory Provident Fund ("**MPF**") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF scheme.

9. BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the years ended 31 March 2018 and 2017 is set out below:

	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2018					
Executive directors					
Mr. YH Wong *(Note (i))*	–	1,080	90	18	1,188
Mr. Tony Wong *(Chief executive officer) (Note (i))*	–	960	80	18	1,058
Mr. Lai *(Note (i))*	–	960	80	18	1,058
Mr. Lam Joseph Chok *(Note (iii))*	–	511	–	16	527
Independent non-executive directors					
Mr. Law Ka Ho *(Note (ii))*	150	–	–	–	150
Mr. Leung Wai Lim *(Note (ii))*	150	–	–	–	150
Mr. Tam Wai Tak Victor *(Note (ii))*	150	–	–	–	150
	450	3,511	250	70	4,281
Year ended 31 March 2017					
Executive directors					
Mr. YH Wong *(Note (i))*	–	789	54	18	861
Mr. Tony Wong *(Chief executive officer) (Note (i))*	–	729	51	18	798
Mr. Lai *(Note (i))*	–	729	51	18	798
Independent non-executive directors					
Mr. Law Ka Ho *(Note (ii))*	87	–	–	–	87
Mr. Leung Wai Lim *(Note (ii))*	87	–	–	–	87
Mr. Tam Wai Tak Victor *(Note (ii))*	87	–	–	–	87
	261	2,247	156	54	2,718

During the year ended 31 March 2018, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2017: nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 March 2018 (2017: nil).

9. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

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

Notes:

(i) Mr. YH Wong, Mr. Tony Wong and Mr. Lai were appointed as executive directors of the Company on 3 May 2016. They were also directors of certain subsidiaries of the Company and/or employees of the Group and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company for the year ended 31 March 2017.

(ii) Mr. Law Ka Ho, Mr. Leung Wai Lim and Mr. Tam Wai Tak Victor were appointed as independent non-executive directors of the Company on 3 September 2016.

(iii) Mr. Lam Joseph Chok was appointed as an executive director of the Company on 25 May 2017.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, 3 (2017: 3) of them are directors of the Company whose emoluments are disclosed above. The emoluments in respect of the remaining 2 (2017: 2) highest paid individuals are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits in kind	**1,335**	1,479
Discretionary bonuses	**150**	162
Retirement scheme contributions	**18**	18
	1,503	1,659

The emoluments of each of the above non-directors, highest paid individuals were below HK$1,000,000. During the years ended 31 March 2018 and 2017, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2018 HK$'000	2017 HK$'000
Hong Kong profits tax:		
Current tax on profits for the year	**889**	5,482
Adjustments in respect of prior year	**–**	159
Current income tax	**889**	5,641
Deferred income tax *(Note 25)*	**110**	282
Income tax expense	**999**	5,923

10. INCOME TAX EXPENSE (CONTINUED)

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

	2018 HK$'000	2017 HK$'000
Profit before income tax	**6,561**	24,081
Calculated at a tax rate of 16.5%	**1,083**	3,973
Tax effects of:		
— Income not subject to tax	**(158)**	(51)
— Expenses not deductible for tax purposes	**613**	1,843
— Tax losses for which no deferred income tax was recognised	**–**	385
— Utilisation of previously unrecognised tax losses	**(344)**	(366)
— Adjustments in respect of prior years	**–**	159
— Others	**(165)**	–
— Tax concession	**(30)**	(20)
Income tax expense	**999**	5,923

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2018	2017
Profit attributable to owners of the Company (HK$'000)	**5,562**	18,158
Weighted average number of ordinary shares in issue (thousands of shares)	**4,000,000**	3,605,479
Basic earnings per share (HK cents)	**0.14**	0.50

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2018 was derived from 4,000,000,000 ordinary shares in issue.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2017 was derived from 3,200,000,000 ordinary shares in issue as if these 3,200,000,000 ordinary shares were outstanding throughout the year and the effect of share offer by the Company as set out in note 20.

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

12. DIVIDENDS

	2018 HK$'000	2017 HK$'000
Interim dividends paid	–	20,001

During the year ended 31 March 2017, the Company declared and paid interim dividends of HK$20,001,100 to then shareholders of the Company. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the preparation of these consolidated financial statements.

No dividend was paid or proposed by the board of directors of the Company for the year ended 31 March 2018 (2017: nil).

13. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid-up share capital	Proportion of ownership interest held by the Company	Principal activities
Umma Floral Limited ("**Umma Floral**")	BVI	United States Dollars ("US$") 10	100% (direct)	Investment holding
Hop Kee Construction Company Limited ("**Hop Kee Construction**")	Hong Kong	HK$100,000	100% (indirect)	Provision of foundation works in Hong Kong
Hop Kee Machinery Transportation Company Limited ("**Hop Kee Machinery**")	Hong Kong	HK$100,000	100% (indirect)	Acquisition and holding of plant and machinery of the Group
Hop Kee Construction Company Limited ("**Hop Kee Construction (BVI)**")	BVI	US$1	100% (indirect)	Handling intellectual property and other administrative matters of the Group

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
As at 1 April 2016	514	362	26,721	3,533	31,130
Additions	381	120	3,235	1,399	5,135
Disposals	(349)	(6)	(440)	(366)	(1,161)
As at 31 March 2017	546	476	29,516	4,566	35,104
Accumulated depreciation					
As at 1 April 2016	(174)	(117)	(6,532)	(1,662)	(8,485)
Charge for the year *(Note 7)*	(380)	(84)	(5,525)	(936)	(6,925)
Disposals	349	1	147	366	863
As at 31 March 2017	(205)	(200)	(11,910)	(2,232)	(14,547)
Net book value					
As at 31 March 2017	341	276	17,606	2,334	20,557
Cost					
As at 1 April 2017	546	476	29,516	4,566	35,104
Additions	–	67	6,953	651	7,671
Disposals	–	(14)	(1,580)	(2,035)	(3,629)
As at 31 March 2018	**546**	**529**	**34,889**	**3,182**	**39,146**
Accumulated depreciation					
As at 1 April 2017	(205)	(200)	(11,910)	(2,232)	(14,547)
Charge for the year *(Note 7)*	(128)	(103)	(6,191)	(1,196)	(7,618)
Disposals	–	5	1,115	1,781	2,901
As at 31 March 2018	**(333)**	**(298)**	**(16,986)**	**(1,647)**	**(19,264)**
Net book value					
As at 31 March 2018	**213**	**231**	**17,903**	**1,535**	**19,882**

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Fixed assets under finance leases

Plant, machinery and equipment include the following amounts where the Group is a lessee under finance lease.

	2018 HK$'000	2017 HK$'000
Cost — capitalised finance lease	**16,310**	17,784
Accumulated depreciation	**(9,887)**	(7,043)
Net book value *(Note 24)*	**6,423**	10,741

15. FINANCIAL INSTRUMENTS BY CATEGORY

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables		
Trade and other receivables excluding prepayments	**53,082**	47,007
Bank deposits	**22,812**	42,663
Cash and cash equivalents	**73,038**	49,415
	148,932	139,085
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**18,551**	9,765
Finance lease liabilities	**2,698**	7,912
	21,249	17,677

16. GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2018 HK$'000	2017 HK$'000
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	**67,165**	185,938
Less: Progress billings received and receivables	**(51,720)**	(171,013)
	15,445	14,925

17. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**35,079**	31,063
Retention receivables *(Note (c))*	**12,787**	12,491
Other receivables, deposits and prepayments *(Note (d))*	**6,247**	4,043
	54,113	47,597

Notes:

(a) The credit period granted to customers ranges from 30 to 32 days (2017: 30 to 60 days) generally. Trade receivables are denominated in HK$.

(b) The ageing analysis of trade receivables based on invoice date are as follows:

	2018 HK$'000	2017 HK$'000
0–30 days	**18,305**	23,536
31–60 days	**8,346**	7,527
61–90 days	**7,986**	–
Over 90 days	**442**	–
	35,079	31,063

Trade receivables of approximately HK$20,527,000 as at 31 March 2018 were not yet past due (2017: HK$23,536,000), and approximately HK$14,552,000 as at 31 March 2018 were past due but not impaired (2017: HK$7,527,000). These relate to trade receivables from a number of independent customers of whom there is no recent history of default. Based on past experience, management believes that no impairment allowance 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. The Group does not hold any collateral over these balances. The ageing analysis of these trade receivables are as follows:

	2018 HK$'000	2017 HK$'000
Past due but not impaired		
Overdue by:		
1–30 days	**11,601**	7,527
31–60 days	**2,951**	–
	14,552	7,527

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(c) At 31 March 2018, retentions held by customers for contract works amounted to approximately HK$12,787,000 (2017: HK$12,491,000). Retention monies withheld by customers for contract works are released after the completion of defects liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

Except for retention receivables of approximately HK$4,762,000 (2017: HK$2,730,000), which are expected to be recovered after one year, all of the remaining retention receivables are expected to be recovered within one year.

(d) Included in other receivables, deposits and prepayments was an amount due from a related company, Shun Hang Chemical Limited for the proceed from disposal of a motor vehicle amounting to approximately HK$1,280,000 (Note 28) as at 31 March 2018 (2017: nil).

18. BANK DEPOSITS

	2018 **HK$'000**	2017 HK$'000
Pledged bank deposits *(Note (a))*	**2,812**	3,663
Non-pledged bank deposits *(Note (b))*	**20,000**	39,000
Bank deposits	**22,812**	42,663

Notes:

(a) Pledged bank deposits represent deposits pledged to banks for the bank overdrafts facilities and as surety bond for faithful of performance in accordance to the contract between the Group and the customers. The effective interest rate on the pledged bank deposit is 0.02% per annum as at 31 March 2018 (2017: 0.60% per annum). The carrying amounts of the pledged bank deposits are denominated in HK$.

(b) The effective interest rate for the non-pledged bank deposit is 1.30% per annum as at 31 March 2018 (2017: 1.4% to 1.5% per annum) and the carrying amounts of non-pledged bank deposits are denominated in HK$.

19. CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash at banks	**63,038**	24,415
Short-term bank deposits	**10,000**	25,000
Cash and cash equivalents	**73,038**	49,415

Notes:

(a) The carrying amounts of cash and cash equivalents are denominated in HK$.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

(c) Short-term bank deposits carry interest rate at 0.90% (2017: 1.05% to 1.20%) per annum as at 31 March 2018 and with original maturities within 3 months. The carrying amounts of the short-term bank deposits are denominated in HK$.

20. SHARE CAPITAL

Details of the Company's authorised and issued ordinary share capital are as follows:

	Notes	**Number of ordinary shares**	**Share capital HK$'000**
Ordinary shares of HK$0.01 each			
Authorised:			
As at 1 April 2016		–	–
Upon incorporation of the Company on 3 May 2016	*(a)*	38,000,000	380
Increase in number of authorised shares	*(b)*	9,962,000,000	99,620
As at 31 March 2017 and 2018		**10,000,000,000**	**100,000**
Issued and fully paid:			
As at 1 April 2016		–	–
Upon incorporation of the Company on 3 May 2016	*(a)*	1	–
Shares issued upon Reorganisation	*(c)*	200,010	2
Shares issued pursuant to the capitalisation issue	*(d)*	3,199,799,989	31,998
Shares issued pursuant to the share offer	*(e)*	800,000,000	8,000
As at 31 March 2017 and 2018		**4,000,000,000**	**40,000**

20. SHARE CAPITAL (CONTINUED)

Notes:

(a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 3 May 2016 with an initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each and one fully paid was issued and allotted to the subscriber which was subsequently transferred to May City on the same date.

(b) Pursuant to the resolutions passed by the sole shareholder of the Company on 3 September 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares of HK$0.01 each, ranking pari passu in all respects with the existing shares.

(c) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Umma Floral from Mr. YH Wong, Mr. Tony Wong and Mr. Lai on 17 May 2016 and as consideration for the acquisition by Umma Floral of the entire issued share capital of Hop Kee Construction and Hop Kee Machinery from Mr. YH Wong, Mr. Tony Wong and Mr. Lai on 18 May 2016, the Company issued and allotted 10 shares and 200,000 shares to May City, all credited as fully paid respectively.

(d) Pursuant to a written resolution passed by the sole shareholder of the Company on 3 September 2016 and conditional upon the share premium account of the Company being credited as a result of the share offer, the Company authorised to allot and issued a total of 3,199,799,989 shares credited as fully paid at par to the holder of the Company's shares on the register of members of the Company at the close of business on 3 September 2016 by way of capitalisation of the sum of HK$31,997,999.89 standing to the credit of the share premium account of the Company.

(e) On 28 September 2016, upon its listing on the Main Board of the Stock Exchange, the Company issued 800,000,000 new ordinary shares at an offer price of HK$0.13 each and raised gross proceeds of approximately HK$104,000,000.

21. RESERVES

Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

Merger reserve

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

22. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 3 September 2016. The Scheme is to attract and retain the best personnel, to provide additional incentive to the eligible participants under the Scheme.

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

The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded. The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

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

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

22. SHARE OPTION SCHEME (CONTINUED)

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme shall be valid and effective for a period of ten years commencing on 3 September 2016, subject to early termination provisions contained in the Scheme.

No share options were granted, exercised, cancelled or lapsed since the adoption of the Scheme and there were no share option outstanding as at 31 March 2018 and 2017.

23. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	**11,722**	3,851
Retention payables *(Note (b))*	**2,168**	2,881
Accruals and other payables	**4,661**	3,033
	18,551	9,765

Notes:

(a) Payment terms granted by suppliers are generally within two months.

The ageing analysis of trade payables based on invoice date are as follows:

	2018 HK$'000	2017 HK$'000
0–30 days	**4,840**	2,235
31–60 days	**5,261**	626
61–90 days	**287**	9
Over 90 days	**1,334**	981
	11,722	3,851

(b) Except for an amount of approximately HK$628,000 (2017: HK$378,000), all of the remaining balances are expected to be settled within one year.

(c) All trade and other payables are denominated in HK$.

24. FINANCE LEASE LIABILITIES

The Group had finance leases repayable as follows:

	2018		2017	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within one year	2,698	2,734	4,974	5,189
More than one year but no more than two years	–	–	2,938	2,977
	2,698	2,734	7,912	8,166
Less: Total future interest expenses		(36)		(254)
Present value of lease obligations		2,698		7,912

The Group leased certain machineries under finance leases. The lease term is 3 years (2017: 3 years) and bore interest at 3.6% to 4.3% (2017: 3.6% to 4.3%) per annum as at 31 March 2018.

The finance lease are secured by the Group's machineries with aggregate net book value of approximately HK$6,423,000 (2017: HK$10,741,000) as at 31 March 2018 (Note 14).

The carrying amounts of all finance lease liabilities are denominated in HK$.

25. DEFERRED TAX LIABILITIES

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

Deferred tax arising from:	**Provision for impairment of trade receivables** HK$'000	**Tax depreciation** HK$'000	**Total** HK$'000
As at 1 April 2016	(270)	2,021	1,751
Charged to profit or loss *(Note 10)*	270	12	282
As at 31 March 2017	–	2,033	2,033
Charged to profit or loss *(Note 10)*	–	110	110
As at 31 March 2018	**–**	**2,143**	**2,143**

As at 31 March 2018, the Group has estimated unused tax losses of approximately HK$6,216,000 (2017: HK$10,636,000), which are available for offset against future profits that may be carried forward indefinitely and are subject to approval from the Hong Kong Inland Revenue Department. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams.

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations

	2018 **HK$'000**	2017 HK$'000
Profit before income tax	**6,561**	24,081
Adjustments for:		
Depreciation	**7,618**	6,925
Interest expense	**218**	435
Interest income	**(658)**	(348)
Gain on disposal of property, plant and equipment	**(1,215)**	(92)
Operating profit before working capital changes	**12,524**	31,001
Increase in gross amounts due from customers for contract work	**(520)**	(5,962)
Increase in trade and other receivables	**(5,236)**	(1,558)
Decrease/(increase) in bank deposits	**851**	(13)
Decrease in gross amounts due to customers for contract work	**–**	(3,456)
Increase/(decrease) in trade and other payables	**8,786**	(12,909)
Net cash generated from operations	**16,405**	7,103

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

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

	Finance lease liabilities HK$'000	**Total** HK$'000
As at 1 April 2017	7,912	7,912
Changes from financing cash flows:		
Capital element of finance lease rentals paid	(5,214)	(5,214)
Interest element of finance lease rentals paid	(218)	(218)
Other changes:		
Finance charges on finance lease liabilities	218	218
As at 31 March 2018	**2,698**	**2,698**

27. COMMITMENTS

Operating lease commitments — Group as lessee

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

	2018 **HK$'000**	2017 HK$'000
Within one year	**588**	593
In the second to fifth years inclusive	**343**	893
	931	1,486

Operating lease relates to office premises with lease term of three years.

28. RELATED PARTY TRANSACTIONS

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

(a) The directors of the Company are of the view that the following company that had transactions with the Group is a related party:

Name	Relationship with the Group
Hop Kee Development Co., Limited	A related company was owned by Mr. YH Wong and Mr. Tony Wong as to 50% and 30% respectively
Shun Tai Holdings Limited	A related company was owned by Mr. YH Wong, Mr. Tony Wong and Mr. Lai as to 40%, 30% and 30% respectively
Shun Hang Chemical Limited	A related company was owned by Mr. YH Wong and Mr. Tony Wong as to 50% and 50% respectively

(b) Transactions with related parties

	2018 HK$'000	2017 HK$'000
Rental of office and car park paid to:		
Hop Kee Development Co., Limited *(Note (i))*	**247**	180
Rental of warehouse paid to:		
Shun Tai Holdings Limited *(Note (i))*	**532**	–
Disposal of a motor vehicle to:		
Shun Hang Chemical Limited *(Note (ii))*	**1,280**	–

Notes:

(i) The rental expenses for premises, car parking spaces and warehouse payable to the above related parties are based on the agreements entered into between the parties involved.

(ii) The amount represents the proceed from disposal of a motor vehicle to the above related party and is based on terms mutually agreed between the parties involved.

(c) The emoluments of the directors of the Company (representing the key management personnel) during the years ended 31 March 2018 and 2017 are disclosed in note 9.

29. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	2018 HK$'000	2017 HK$'000
ASSETS		
Non-current assets		
Investment in a subsidiary	–*	–*
Current assets		
Other receivables and prepayments	356	363
Amounts due from subsidiaries	76,305	69,540
Bank deposit	–	4,000
Bank balances	14,473	20,345
	91,134	94,248
Total assets	91,134	94,248
EQUITY		
Capital and reserves		
Share capital	40,000	40,000
Reserves	50,797	54,139
Total equity	90,797	94,139
LIABILITIES		
Current liabilities		
Accruals	337	108
Amount due to a subsidiary	–	1
	337	109
Total liabilities	337	109
Total equity and liabilities	91,134	94,248
Net current assets	90,797	94,139
Total assets less current liabilities	90,797	94,139

* *Represent — amount less than HK$1,000*

The Company's statement of financial position were approved and authorised for issue by the board of directors on 25 June 2018 and signed on its behalf by:

Mr. Wong Yan Hung
Director

Mr. Wong Tony Yee Pong
Director

29. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Share premium HK$'000	Merger reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 3 May 2016 (date of incorporation)	–	–	–	–
Profit and total comprehensive income for the period	–	–	17,517	17,517
Dividends	–	–	(20,001)	(20,001)
Reorganisation	–	(2)	–	(2)
Shares issued pursuant to the capitalisation issue	(31,998)	–	–	(31,998)
Shares issued pursuant to the share offer	96,000	–	–	96,000
Shares issuance costs	(7,377)	–	–	(7,377)
As at 31 March 2017	56,625	(2)	(2,484)	54,139
Loss and total comprehensive expense for the year	–	–	(3,342)	(3,342)
As at 31 March 2018	**56,625**	**(2)**	**(5,826)**	**50,797**

Summary of Financial Information

The financial summary of the Group for the last five years is set as follows:

RESULTS

	For the year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**131,781**	218,648	192,154	166,510	75,548
Direct costs	**(106,247)**	(167,403)	(146,465)	(124,659)	(51,423)
Gross profit	**25,534**	51,245	45,689	41,851	24,125
Other income, other gains and losses	**2,287**	1,497	880	804	125
Administrative and other operating expenses	**(21,042)**	(28,226)	(13,962)	(7,894)	(3,451)
Finance costs	**(218)**	(435)	(283)	(9)	(6)
Profit before income tax	**6,561**	24,081	32,324	34,752	20,793
Income tax expense	**(999)**	(5,923)	(6,771)	(6,542)	(3,412)
Profit and total comprehensive income for the year attributable to owners of the Company	**5,562**	18,158	25,553	28,210	17,381

ASSETS AND LIABILITIES

	As at 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**19,882**	20,557	22,645	12,098	2,464
Current assets	**165,881**	155,962	84,619	69,418	41,928
Non-current liabilities	**(2,143)**	(4,971)	(10,178)	(1,019)	(347)
Current liabilities	**(21,249)**	(14,739)	(35,057)	(27,821)	(19,679)
Equity attributable to owners of the Company	**162,371**	156,809	62,029	52,676	24,366