Man King Holdings Limited
萬景控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2193

2018 ANNUAL REPORT

Man King
萬景控股

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Lo Yuen Cheong *(Chairman)*
Lo Yick Cheong

Non-executive Director
Chan Wai Ying

Independent non-executive Directors
Leung Wai Tat Henry
Lo Man Chi
Chau Wai Yung

AUDIT COMMITTEE
Leung Wai Tat Henry *(Chairman)*
Chan Wai Ying
Chau Wai Yung
Lo Man Chi

REMUNERATION COMMITTEE
Chau Wai Yung *(Chairman)*
Lo Yuen Cheong
Leung Wai Tat Henry
Lo Man Chi

NOMINATION COMMITTEE
Lo Yuen Cheong *(Chairman)*
Lo Yick Cheong
Chau Wai Yung
Leung Wai Tat Henry
Lo Man Chi

COMPANY SECRETARY
Wan Ho Yin

SOLICITORS
CFN Lawyers in association
with Broad & Bright
Maples and Calder

AUDITOR
Deloitte Touche Tohmatsu

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited

Industrial and Commercial Bank of China (Asia) Limited

REGISTERED OFFICE
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL OFFICE
Unit D, 10/F
Skyline Tower
18 Tong Mi Road
Mongkok, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall, Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE
2193

WEBSITE
http://www.manking.com.hk

On behalf of the board of Directors (the "Board") of Man King Holdings Limited (the "Company"), I am pleased to report the results for the Company and its subsidiaries (collectively the "Group" or "we") for the year ended 31 March 2018.

PERFORMANCE AND STRATEGY

I am pleased to present the results for the year ended 31 March 2018. Several projects awarded in the past years are now proceeded in full blown, leading to Group's annual revenue increase by 41.1% to approximately HK$232.2 million for the financial year ended 31 March 2018. However, gross profit margin decreased from 24.1% to 14.9%, reflecting the increase in labour costs and other commodity prices, as well as new public contracts are now fully implemented by the Hong Kong Government to NEC form which aims at a Target Price collaborative approach to work together on a share risk and profit basis between the client and the contractors. This has the merit of less risk exposure for our operation and as such we can anticipate a lower profit margin for comparable public contracts undertaken in previous years. As our customers comprise mainly public bodies, we expect our gross profit margin will be aligned with this trend after the completion of our "traditional" form of contracts on hand in the coming few years.

The Group's gearing ratio remains at the lowest end of expectation, following strong working capital management during the year. We had also invested approximately 7% of total bank and cash for security investments as well as 6% coupon notes and global fund investments to cover our operating expenses by way of receiving dividends. In the coming year, the Group has the plan to expand the operation to include trading of construction materials which is highly complementary addition to our current business and enhances our presence in the construction market.

Our strategy remains what we reported in last year, which is to continuously develop the business in its chosen markets in the coming years and to deliver a safe, robust, sustainable and optimised performance from efficient business processes.

DIVIDEND

The Board is recommending a final dividend for the year ended 31 March 2018 of HK3.5 cents per share, reflecting the Board's confidence in the Group's prospect as well as its stable and reliable financial capability.

OUR PEOPLE

The safety and training to our people remain a priority and I am pleased to report during this year we once again attained zero fatality and extremely low accident rates comparing with statistic figures of the industry. On behalf of the Board, I would thank our employees who are so loyal and committed to making continued development and success of the Group. Their hard work, skills and diligence underpin the resilience of our operating model and the strength of our order book. The services that our team delivered are well recognised and appreciated by our clients.

OUTLOOK

The Group has successfully grown its reputation in the marketplace that it is trusted by its clients and supply chain. Whilst the HKSAR Government policy continues huge investments in upgrading and provision of infrastructures and housing, the macro construction environment remains competitive and challenging. We will continue to maintain a healthy balance sheet and invest in the business to improve our operation efficiency providing us a robust platform and confidence in achieving our strategic targets in the coming years.

Lo Yuen Cheong
Chairman
15 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Overview

The Group is principally engaged in providing civil engineering services in Hong Kong as a main contractor.

The engineering works undertaken by the Group are mainly related to (i) roads and drainage (including associated building works and electrical and mechanical works); (ii) site formation (including associated infrastructure works); and (iii) port works. The Group undertakes engineering projects in both public and private sectors and, being a main contractor, participates in the procurement of materials, machineries and equipment, selection of subcontractors, carrying out onsite supervision, monitoring work progress and overall co-ordination of day-to-day work of the projects.

Construction contracts are normally awarded through competitive tendering process. The Group determines a tender price by estimating the construction costs under the contract duration as specified in the tender invitation documents. One of the principal risks of the Group is that any error or inaccurate estimation of project costs when determining the tender price may result in substantial loss. As such, the Group has a tender department formed by a high calibre and committed professional workforce to fully support the tendering process, to ensure the accuracy and to bring the best interests to the Group.

During the year ended 31 March 2018, the Group secured two new contracts with total contract sum of approximately HK$592.7 million. As at 31 March 2018, the Group had seven projects in progress, and several completed projects which are yet to receive the final contract sum, with a total estimated outstanding contract sum and work order value of approximately HK$677.2 million.

Principal risks and uncertainties

The management considers that the followings are the principal risks and uncertainties faced by the Group:

(i) the business of the Group relies on successful tenders and any failure of the Group to secure tender contracts would affect the operations and financial results of the Group;

(ii) erroneous or inaccurate estimation of project duration and the costs involved when determining the tender price may adversely affect the profitability and financial performance of the Group;

(iii) the historical revenue and profit margin may not be indicative of the future revenue and profit margin of the Group; and

(iv) any delay or defects of the suppliers' and subcontractors' works of the Group would adversely affect its operations and financial results.

Customers and suppliers

The major customers of the Group are the HKSAR Government and certain reputable organisations. The public sector customers are normally required to make payments to the Group within 21 days after the issue of the progress certificate by the authorised person, while the private sector customers are normally required to make payments to the Group within 60 days after the issue of the invoice. As at the date of this report, over 99% of the trade receivables have been subsequently settled. The management of the Group considers that the credit risk is limited in this regard.

On the other hand, the Group maintains a good relationship with its key subcontractors and suppliers, and no warnings relating to the supply or quality of materials has been received. We have performed subcontractor and supplier annual performance evaluations and the results are satisfactory.

Environmental policies

The Group has also observed the laws and regulations in relation to environmental protection in Hong Kong, such as Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance, Waste Disposal Ordinance, Dumping at Sea Ordinance, Environmental Impact Assessment Ordinance and Public Health and Municipal Services Ordinance. Prior to the commencement of work, the Group will assess the implications and requirements of the aforesaid laws and regulations and apply for necessary permits (if applicable) to conduct its work. The Group also ensures that the subcontractors and their workers comply with the Group's environmental management policy on the basis of appropriate education, training and/or expertise. In particular, the Group holds regular meetings with them to discuss environmental related issues during the course of a project. The breach of the aforesaid laws and regulations may lead to penalty or fine by the relevant government authorities or even suspension of works. During the year ended 31 March 2018, the Group was in compliance with applicable environmental laws and regulations in all material aspects.

Compliance with laws and regulations

Saved as disclosed in the compliance with environmental laws and regulations mentioned above, the Group has been in compliance in all material respects with all the other relevant laws, rules and regulations. The Group will continue to deploy adequate resources and make an effort to maintain and enhance internal control in order to mitigate any non-compliance issues.

Future outlook

As we head into the new financial year 2018/2019, we take a look at how the construction industry has fared in 2017 and what we can expect for 2018/2019.

In the last interim report, we have mentioned that the growth of local construction industry is driven by several mega infrastructure development projects, which demand tremendous technical resources and financial funding, and impose challenges to local contractors to compete with international and Mainland Chinese contractors. We expect this situation remains unchanged in the near future. As such, we continue to seek cooperation with other local and international contractors in form of joint venture to optimize our competitive strength. This strategy was well achieved by award of a public works by the HKSAR Water Supplies Department in November 2017 which complements our construction capability and expertise to include waterworks in addition to site formation, roads & drainages and port works.

While the capital works expenditure for infrastructures, housings, hospitals and etc. is expected to remain at similar levels of HK$80–90 billion in the coming few years, labour shortages, coupled with the new legislation of mandatory provident fund being proposed by the Hong Kong Government, will continue to plague the construction industry in 2018 and the years to come.

A key change of the construction industry is the introduction of new NEC form of contract by the Hong Kong Government on public contracts, which is on a 'Gain and Pain' share basis with the clients and will be fully implemented from this year onward. This new contract form aims at balancing the risk and profit for the parties entered into the contract. We have been working on three NEC contracts of various options since May 2015 and our project teams have been adequately trained in advance to take up this challenge and their practical experience in NEC contracts becomes an essential of our operation asset.

With the adoption of NEC form of contract, we see that, among the increasing construction and labour costs, the gross profits for certain new public works contracts need to be so re-aligned that they may not be as high as those similar contracts undertaken in previous years. While we continue to tender projects in both public and private sectors in Hong Kong, we also seek opportunity to diversify our business into trading of construction materials and expansion of client base outside Hong Kong. Considering these market conditions, the Group remains prudent and continues cautiously to maintain a healthy liquidity position and would only consider significant investment or expansion when the Group has secured certain large scale projects.

Employees and remuneration policies

As at 31 March 2018, the Group had an aggregate of 135 full-time employees (2017: 125 full-time employees) and total employee costs excluding directors' emoluments for the year ended 31 March 2018 was approximately HK$52.0 million (2017: HK$42.0 million). The Group was in compliance with Employment Ordinance, Employees' Compensation Ordinance and other applicable regulations, and salary payment was made on time without any dispute. Competitive remuneration packages are structured for each employee commensurate with individual responsibility, qualifications, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as performance of the individual.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Consolidated Statement of Profit or Loss

Revenue

Revenue increased by approximately HK$67.7 million or approximately 41.1% from approximately HK$164.5 million to approximately HK$232.2 million, mainly due to the combined effect of:

(i) higher revenue of approximately HK$35.9 million for three projects commenced in the mid of 2017 or early 2018;

(ii) higher revenue of approximately HK$108.3 million for five projects in progress during the year ended 31 March 2018;

(iii) lower revenue of approximately HK$51.0 million for projects for the year ended 31 March 2018 as compared to the revenue of approximately HK$63.4 million recognised for the same projects which had been completed in the prior years; and

(iv) lower revenue of approximately HK$25.5 million for one project commenced in 2012 and completed during the year ended 31 March 2018; and another project commenced in 2015 and substantially completed during the year ended 31 March 2018.

Gross profit

Gross profit decreased by approximately HK$5.1 million or approximately 12.8% from approximately HK$39.6 million for the year ended 31 March 2017 to approximately HK$34.5 million for the year ended 31 March 2018. Gross profit margin decreased from approximately 24.1% for the year ended 31 March 2017 to approximately 14.9% for the year ended 31 March 2018, primarily due to projects on hand with high profit margin being substantially completed and less additional contract sums agreed at the final stage were recognised for the year ended 31 March 2018. The expected gross profit margin for new projects is lower than those undertaken in previous years which reflects keen competition in the construction industry and the new NEC form of contract mentioned in "Future outlook" section above.

Other income

Other income was approximately HK$1,460,000 and HK$2,673,000 for the years ended 31 March 2018 and 2017, respectively. The decrease was mainly due to less dividend income received from held-for-trading investments and decrease in other sundry income.

Other gains and losses

Other gains were approximately HK$2,236,000 and HK$775,000 for the years ended 31 March 2018 and 2017, respectively. The increase was mainly due to the exchange gain as a result of the appreciation of foreign currencies offset with the decreasing gain on disposal of property, plant and equipment and net change in fair value of held-for-trading investments.

Administrative expenses

Administrative expenses for the year ended 31 March 2018 were approximately HK$29.1 million, representing a decrease of approximately 9.3% from approximately HK$32.1 million for the last financial year. This was mainly attributable to the decrease in the share-based compensation as a result of the lapse of share options in July 2017 and January 2018, and the decrease in insurance and motor vehicle expenses during the year ended 31 March 2018.

Finance costs

The Group has obtained new bank borrowing during the year ended 31 March 2018 and accordingly finance costs increased to approximately HK$27,000 (2017: nil).

Income tax expense

The effective tax rates for the years ended 31 March 2017 and 2018 were approximately 22.2% and 23.1% respectively. The effective tax rate for the year ended 31 March 2018 was higher than the statutory profit tax rate of 16.5% which was mainly due to the increase in tax effect of tax losses not recognised by the Company during the year.

Profit for the year

For the year ended 31 March 2018, the Group recorded net profit of approximately HK$7.0 million, a decrease of approximately 17.6% as compared to the net profit of approximately HK$8.5 million for the corresponding period in the last financial year. This was mainly due to the decrease in gross profit, as mentioned in the paragraph headed "Gross profit" above, for the year ended 31 March 2018.

Consolidated Statement of Financial Position

Net assets of the Group increased by approximately 2.8% from approximately HK$273.3 million as at 31 March 2017 to approximately HK$280.9 million as at 31 March 2018.

Non-current assets increased from approximately HK$11.2 million as at 31 March 2017 to approximately HK$22.0 million as at 31 March 2018, primarily due to new held-to-maturity investment and additions of construction equipment, motor vehicles and office equipment.

Net current assets decreased by approximately 0.9% from approximately HK$262.7 million as at 31 March 2017 to approximately HK$260.2 million as at 31 March 2018, primarily due to cash used to acquire held-to-maturity investment which is classified as a non-current asset.

Liquidity and financial resources

As at 31 March 2018, the Group had bank balances and cash of approximately HK$153.6 million (2017: HK$181.9 million), which were mainly denominated in Hong Kong dollars. There is no major exposure to foreign exchange rate fluctuations. The Group has not adopted any currency hedging policy or other hedging instruments.

As at 31 March 2018, the Group had interest bearing borrowing of approximately HK$3.0 million (2017: nil) with a repayable on demand clause. Such borrowing was denominated in Hong Kong dollars, carried at variable interest rate and had no financial instrument for hedging purpose.

The Group has available unutilised bank borrowing facilities of approximately HK$11.7 million as at 31 March 2018 (2017: HK$15.2 million).

Capital structure and gearing ratio

As at 31 March 2018, total equity was approximately HK$280.9 million (2017: HK$273.3 million) comprising ordinary share capital, share premium and reserves.

As at 31 March 2018, the gearing ratio of the Group, defined as a percentage of interest bearing liabilities divided by the total equity, was approximately 1.1% (2017: nil).

For details of pledged assets and performance bonds and contingent liability of the Group, please refer to notes 21 and 33 to the consolidated financial statements accordingly.

New business

During the year ended 31 March 2018, the Company did not commence any new type of business.

Significant investments

During the year ended 31 March 2018, the Company did not hold any other significant investment.

Material acquisitions and disposal of subsidiaries and associated companies

During the year ended 31 March 2018, there was no material acquisition or disposal of subsidiaries and associated companies by the Company.

Future plans for material investments or capital assets

The Directors currently do not have any future plans for material investments or capital assets. The Directors will continue to monitor the industry and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lo Yuen Cheong, 65, is the Chairman and executive Director of the Company and also the chairman of Nomination Committee and member of Remuneration Committee. He is responsible for the financial and operational aspects of the Group, and is jointly responsible for the formulation of business development strategies of the Group.

Mr. Lo Yuen Cheong has over 37 years of experience in working in the civil engineering industry. He is qualified as a Chartered Engineer registered with The Engineering Council of the United Kingdom and a Registered Professional Engineer with Engineers Registration Board of Hong Kong. He is also a member of The Institution of Civil Engineers of the United Kingdom and a member of The Hong Kong Institution of Engineers.

Mr. Lo Yuen Cheong obtained a Master degree of Engineering (MEng) from The University of Sheffield in 1979, and a Master degree of Arts (MA) from The University of Oklahoma in 1998.

He is the brother of Mr. Lo Yick Cheong and the brother-in-law of Ms. Chan Wai Ying.

Mr. Lo Yick Cheong, 62, is the executive Director of the Company and also the member of Nomination Committee. He is responsible for the operations and business development and is jointly responsible for the formulation of business development strategies of our Group.

Mr. Lo Yick Cheong has over 36 years of experience in working in the engineering industry. He is qualified as a Chartered Engineer of The Engineering Council of the United Kingdom, and a Registered Professional Engineer with Engineers Registration Board of Hong Kong. He is also a member of The Institute of Marine Engineers of the United Kingdom, and a member of The Hong Kong Institution of Engineers.

Mr. Lo Yick Cheong obtained a diploma in Marine Engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1976, a degree of Bachelor of Engineering with First Class Honours in Mechanical Engineering from University of Newcastle Upon Tyne in the United Kingdom in 1986, and a Master degree of Business Administration from University of Leicester in the United Kingdom in 1995. He attained a certificate of competency (Marine Engineer Officer), class 1 (Steamship and Motorship) at the Department of Transport in the United Kingdom in 1985.

He is the brother of Mr. Lo Yuen Cheong and the brother-in-law of Ms. Chan Wai Ying.

NON-EXECUTIVE DIRECTOR

Ms. Chan Wai Ying, 53, is the non-executive Director of the Company and also the member of Audit Committee. She has over 23 years of experience in accounting profession and she advises the board on internal control and financial management.

Ms. Chan Wai Ying is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

She is the sister-in-law of Mr. Lo Yuen Cheong and Mr. Lo Yick Cheong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wai Tat Henry, 69, is the independent non-executive Director of the Company. He has over 40 years of experience working in the engineering industry. He had worked with the Hong Kong Government as structural engineer from May 1980 to December 1982. He also had six years of experience working in Australia. From March 1984 to June 1986, he worked with Macdonald Wagner Pty Limited and was promoted to the position of senior engineer. From June 1986 to May 1989, he worked with Transfield Construction Pty Limited as a structured engineer. He was employed by Jacobs China Limited for the period from September 1990 to March 2005. His last position was managing director.

Mr. Leung graduated with a Bachelor degree of Science in Engineering from The University of Hong Kong in November 1973 and a Master degree of Engineering Science from The University of Sydney, Australia in May 1984. He is a member of The Institution of Civil Engineers of the United Kingdom, a fellow of The Hong Kong Institution of Engineers, and a fellow of The Institution of Structural Engineers of the United Kingdom. He is also a Registered Professional Engineer with Engineers Registration Board of Hong Kong.

Professor Lo Man Chi, *JP*, 52, is the independent non-executive Director of the Company. She has joined The Hong Kong University of Science and Technology since 1992, and is currently a full professor in the Department of Civil and Environmental Engineering. She has extensive research and practical experience in the field of civil and environmental engineering, and produced various academic publications.

Professor Lo is an elected Academician of class VI — Technical and Environmental Sciences of the European Academy of Sciences and Arts in July 2014. She is a fellow of The Hong Kong Institution of Engineers and a fellow of American Society of Civil Engineers. She was the chairperson of the Environmental Division of The Hong Kong Institution of Engineers. She obtained a Bachelor of Science degree in Engineering from National Taiwan University in 1988, as well as a Master of Science degree in Engineering, and a Doctor of Philosophy degree from The University of Texas at Austin in 1990 and 1992, respectively.

Ms. Chau Wai Yung, 33, is the independent non-executive Director of the Company. She is an associate member of Hong Kong Institute of Certified Public Accountants, and has worked as an accountant with Deloitte Touche Tohmatsu for more than 4 years. Thereafter, she joined the corporate recovery & forensic services department of Mazars CPA Limited from March 2011 to September 2012. From 2014 to 2016, she worked as a project manager consultant with Vieste Investments Limited. She currently works in Corporate Strategy and Development Department with Li Tong Group.

Ms. Chau graduated with a Bachelor degree of Social Sciences with first class honours from The Chinese University of Hong Kong in May 2006. She also obtained a postgraduate certificate in professional accounting from City University of Hong Kong in summer 2006.

SENIOR MANAGEMENT

Mr. Chiu Kwok Ming, 54, is the assistant general manager (estimating, procurement, health & safety, and quality assurance) of the Group. He leads the Group's tendering department, and assumes the responsibility for our Group's quality assurance affairs, together with our Group's health and safety, and environmental management.

Mr. Chiu has over 32 years of experience working in the civil engineering industry and he was trained as lead auditor for implementing and monitoring quality assurance of the Group.

Mr. Lam Chun Pan, 43, is the assistant general manager (operation and service) of the Group. He carries out the operational responsibility for the Group's construction and services operations.

Mr. Lam is a member of The Hong Kong Institution of Engineers, and has over 21 years of experience working in the civil engineering industry.

Mr. Wan Ho Yin, 40, is the chief financial officer and company secretary of the Group. He is responsible for the Group's financial affairs, engaging and overseeing all aspects of the corporate financial activities, internal control, treasury, and investors' relation of our Group.

Mr. Wan is a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants, and has over 17 years of experience in accounting profession.

Mr. Lam Tat Shing, 40, is the senior project manager of the Group. He is responsible for site operation and management of civil and marine projects.

Mr. Lam is a member of The Hong Kong Institution of Engineers, and has over 18 years of experience working in the civil engineering industry. He also has experience of port works and fill management.

DIRECTORS' REPORT

The directors of the Company (the "Directors") present their annual report together with the audited consolidated financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and provision of corporate management services.

The activities of its principal subsidiaries and joint operations (set out in notes 34 and 35 to the consolidated financial statements) are engaged in construction and civil engineering works.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 38 of the annual report and in accompanying notes to the consolidated financial statements.

DIVIDEND

The Board recommends the payment of a final dividend of HK3.5 cents (2017: nil) per ordinary share payable to shareholders whose names appear in the register of members of the Company on Friday, 14 September 2018.

Subject to the approval of shareholders at the forthcoming annual general meeting, it is expected that the payment of final dividend will be made on or before 28 September 2018.

DISTRIBUTABLE RESERVES

Movements in the reserves of the Group and of the Company are set out in the consolidated statement of changes in equity on page 40 and note 36 to the consolidated financial statements respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 82 of this annual report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting to be held on Monday, 20 August 2018 (the "2018 Annual General Meeting"), the register of members of the Company will be closed from Wednesday, 15 August 2018, to Monday, 20 August 2018, both dates inclusive, during which period no transfer of shares of the Company (the "Shares") will be registered. In order to be eligible to attend and vote at the 2018 Annual General Meeting, the unregistered holders of shares of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 14 August 2018.

The proposed final dividend is subject to the approval of the shareholders at the 2018 Annual General Meeting. The record date for the proposed final dividend is on Friday, 14 September 2018. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on Friday, 14 September 2018 if and only if the proposed final dividend is approved by the shareholders at the 2018 Annual General Meeting, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 13 September 2018.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed in note 26 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 March 2018 amounted to HK$128,000.

INVESTMENT PROPERTY

Details of investment property of the Group are set out in note 14 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 25 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands.

DIRECTORS

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

Executive Directors:

Lo Yuen Cheong *(Chairman)*
Lo Yick Cheong

Non-executive Director:

Chan Wai Ying

Independent non-executive Directors:

Leung Wai Tat Henry
Lo Man Chi
Chau Wai Yung

In accordance with the provisions of the Company's bye-laws, one-third of the existing Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Accordingly, Mr. Lo Yuen Cheong and Prof. Lo Man Chi, *JP* will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Biographical details of Directors and senior management are set out in the section headed "Directors and Senior Management" in this report.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company. The service contracts are initially for a fixed term of three years and will continue thereafter until terminated by not less than three months' written notice to the other party.

Non-executive Director and independent non-executive Directors have been appointed for a fixed term of two years and the appointment is subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Other than as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the management on the basis of their merits, qualifications and competence.

The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors by reference to the Company's operating results, individual performance and comparable market rates. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

As at 31 March 2018, the Group had an aggregate of 135 (2017: 125) full-time employees. Employee costs excluding directors' emoluments totalled approximately HK$52.0 million for the year ended 31 March 2018 (2017: HK$42.0 million). The Group recruited and promoted the employees according to their strengths and development potential. The Group determined the remuneration packages of all employees including the directors with reference to individual performance and current market salary scale.

Details of Directors', Chief Executive's and employees' emoluments are set out in note 10 to the consolidated financial statements.

In addition to the above, a share option scheme is adopted for rewarding and retaining Directors and employees for the continual operation and development of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Related Party Transactions and Connected Transactions", no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or any of its subsidiaries a party to any arrangements 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 other body corporate.

DISCLOSURE INTERESTS IN SECURITIES

A. Directors' and the Chief Executive's interests in the shares of the Company

As at 31 March 2018, the interests and/or short positions of the Directors and Chief Executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), which or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director and Group member/ associated corporation	Capacity/nature	Number of issued ordinary shares held (long position)	Percentage of the issued share capital of the company
Lo Yuen Cheong of the Company	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse (Note)	300,000,000	71.46%
	Beneficial owner	3,240,000	0.77%
Lo Yick Cheong of the Company	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse (Note)	300,000,000	71.46%
Chan Wai Ying of the Company	Beneficial owner	1,500,000	0.36%
Leung Wai Tat Henry of the Company	Beneficial owner	100,000	0.02%
Lo Yuen Cheong of Jade Vantage Holdings Limited	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse (Note)	50,000 of US$1 each	100%
Lo Yick Cheong of Jade Vantage Holdings Limited	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse (Note)	50,000 of US$1 each	100%

Note: Jade Vantage Holdings Limited, which owns 71.46% of the issued share capital of our Company, is owned as to 100% by LOs Brothers (PTC) Limited, the trustee of the Los Family Trust. Mr. Lo Yuen Cheong, Mr. Lo Yick Cheong and each of their spouses are co-founders of the Los Family Trust, which holds the entire issued share capital of Jade Vantage Holdings Limited, which holds 300,000,000 Shares. By virtue of the SFO, Mr. Lo Yuen Cheong and Mr. Lo Yick Cheong are deemed to be interested in the shares of the Company in which Jade Vantage Holdings Limited is interested.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

None of the Directors nor the Chief Executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) during the year.

B. Substantial shareholders and other interests

As at 31 March 2018, so far as the Directors are aware, the following persons (not being a Director or a Chief Executive of the Company) will have an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Nature of interest	Number of issued ordinary shares held (long position)	Percentage of the issued share capital of the Company
LOs Brothers (PTC) Limited	Interest in a controlled corporation	300,000,000	71.46%
Jade Vantage Holdings Limited	Beneficial owner	300,000,000	71.46%
Tam Wai Sze, Vera	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse (Note)	300,000,000	71.46%
Cheung Suk Ching, Savonne	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse (Note)	300,000,000	71.46%

Note: Jade Vantage Holdings Limited, which owns 71.46% of the issued share capital of our Company, is owned as to 100% by LOs Brothers (PTC) Limited, the trustee of the Los Family Trust. Mr. Lo Yuen Cheong, Mr. Lo Yick Cheong and each of their spouses are co-founders of the Los Family Trust, which holds the entire issued share capital of Jade Vantage Holdings Limited, which holds 300,000,000 Shares. By virtue of the SFO, Mr. Lo Yuen Cheong and Mr. Lo Yick Cheong are deemed to be interested in the shares of the Company in which Jade Vantage Holdings Limited is interested.

Save as disclosed above, no other person (other than Directors or Chief Executive of the Company) has an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted the share option scheme on 3 June 2015, and such scheme has become effective on the listing of the Company on the Stock Exchange on 3 July 2015 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to recognise and acknowledge the contribution of the eligible participants made to the Group. The Board may, at its discretion, grant options pursuant to the Share Option Scheme to Directors (including the independent non-executive Directors), the Company's subsidiaries, employees of the Group and other persons the Board considers have contributed or will contribute to the Group. The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the grant date, unless otherwise approved by the shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules. The subscription price of a share in respect of a particular option shall be not less than the highest of (a) the official closing price of the shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share. The Share Option Scheme shall remain effective within a period of 10 years from that date.

The outstanding share options granted as disclosed in the announcement of the Company dated 15 July 2015 entitled the relevant grantees to subscribe for an aggregate 25,000,000 new shares of HK$0.01 each in the share capital of the Company. Detail of movements of the options granted to the Directors and employees under the Share Option Scheme for the year ended 31 March 2018 is as follows:

					Number of share options			
Name of Directors	**Date of grant**	**Exercisable period**	**Exercise price** HK$	**Outstanding at 1.4.2017**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Outstanding at 31.3.2018**
Lo Yuen Cheong	15 July 2015	15 July 2016 to 14 July 2017	1.1	1,750,000	–	–	(1,750,000)	–
		15 July 2017 to 14 January 2018	1.1	1,750,000	–	–	(1,750,000)	–
Lo Yick Cheong	15 July 2015	15 July 2016 to 14 July 2017	1.1	1,750,000	–	–	(1,750,000)	–
		15 July 2017 to 14 January 2018	1.1	1,750,000	–	–	(1,750,000)	–
Chan Wai Ying	15 July 2015	15 July 2017 to 14 January 2018	1.1	1,500,000	–	–	(1,500,000)	–
				8,500,000	–	–	(8,500,000)	–

Save as disclosed above, none of the Directors had any interests in the share options to subscribe for the shares.

Employees Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.4.2017	Number of share options Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.3.2018
15 July 2015	15 July 2016 to 14 July 2017	1.1	2,936,000	–	–	(2,936,000)	–
	15 July 2017 to 14 January 2018	1.1	6,938,000	–	–	(6,938,000)	–
			9,874,000	–	–	(9,874,000)	–

No option was granted or exercised during the year ended 31 March 2018.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2018, the five largest customers of the Group and the single largest customer of the Group accounted for approximately 92.3% and 57.4% (2017: 89.8% and 47.5%) of the total revenue of the Group, respectively. The five largest suppliers and the single largest supplier of the Group during the year accounted for approximately 63.0% and 15.5% (2017: 48.0% and 14.4%) of the total purchases of the Group, respectively. The five largest subcontractors and the single largest subcontractor of the Group during the year accounted for approximately 61.3% and 23.5% (2017: 67.5% and 37.4%) of the total subcontracting fee of the Group, respectively.

As far as the Directors are aware, none of the Directors, their associates, within the meaning of the Listing Rules, or those shareholders which to the knowledge of the Directors own more than 5% of the Company's share capital have an interest in any of the five largest customers and/or five largest suppliers/subcontractors of the Group for the year ended 31 March 2018.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under note 32 to the consolidated financial statements, and none of which constitutes a discloseable connected transaction as defined under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

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

During the year ended 31 March 2018, 684,000 shares of HK$0.01 each were repurchased by the Company at prices ranging from HK$0.80 to HK$0.92 per share on the Stock Exchange.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors has confirmed that he/she is neither engaged, nor interested, in any business which, directly or indirectly, competes or may compete with the Group's business.

CONTRACT OF SIGNIFICANCE

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries during the year.

NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

Mr. Lo Yuen Cheong, Mr. Lo Yick Cheong, Ms. Tam Wai Sze, Vera, Ms. Cheung Suk Ching, Savonne, Jade Vantage Holdings Limited and LOs Brothers (PTC) Limited entered into a deed of non-competition dated 3 June 2015 (the "Deed of Non-Competition") so as to better safeguard the Group from any potential competition and to formalise the principles for the management of potential conflicts between them and to enhance its corporate governance in connection with the listing of the shares on the Stock Exchange.

The independent non-executive Directors were delegated with the authority to review, on an annual basis, the compliance with the Deed of Non-Competition. The independent non-executive Directors were not aware of any non-compliance of Deed of Non-Competition during the year ended 31 March 2018.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Articles of Association, each Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted.

The Company has arranged appropriate directors' and officers' liability insurance coverage for its Directors and officers.

CORPORATE GOVERNANCE

The Board of the Company are committed to maintain high standards of corporate governance with the Corporate Governance Code, as set out in Appendix 14 of the Listing Rules with exception of deviation. Detailed information on the Company's corporate governance practices is set out in the "Corporate Governance Report" contained in pages 18 to 26 of the annual report.

BUSINESS REVIEW

Detailed information on the Group's business review is set out in the "Management Discussion and Analysis" contained in pages 4 to 7 of the annual report.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as Auditor of the Company.

On behalf of the Board

Lo Yuen Cheong
Chairman and Executive Director
15 June 2018

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance as it believes that good corporate governance practices are fundamental to the effective operation of a company and can enhance shareholders' value as well as safeguard shareholders' interests. The Company places strong emphasis on a quality Board, accountability, sound internal control, appropriate risk management, monitoring procedures and transparency to all shareholders and stakeholders.

The Company has adopted, applied and complied with the code provisions of Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Listing Rules for the year ended 31 March 2018, except for provision A.2.1 in respect of the separate roles of the chairman and chief executive officer.

According to provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Lo Yuen Cheong is the Chairman and Chief Executive Officer of the Company, responsible for the financial and operational aspects of the Group, and is jointly responsible for the formulation of business development strategies of the Group. The Board believes that vesting the roles of both Chairman and Chief Executive Officer has the benefit of managing the Group's business and overall operation in an efficient manner. The Board considers that the balance of power and authority under the present arrangement will not be impaired in light of the operations of the Board with half of them being independent non-executive Directors. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

THE BOARD

The Board has a balanced composition of members to ensure independent judgement being exercised in all discussions. The Board focuses on the overall strategies, policies and business plans of the Group, monitors the financial performance, internal controls and risk management of the Group. Executive Directors and senior management are responsible for the day-to-day operations of the Group.

The composition of the Board and the individual attendance (Board meetings and annual general meeting) of each Director are set out below:

Attendance	**Board meetings from 1 April 2017 to the date of this report**	**2017 annual general meeting**
Executive Directors		
Lo Yuen Cheong	5/5	1/1
Lo Yick Cheong	5/5	1/1
Non-executive Director		
Chan Wai Ying	5/5	1/1
Independent non-executive Director		
Leung Wai Tat Henry	5/5	0/1
Lo Man Chi	5/5	1/1
Chau Wai Yung	5/5	0/1

In compliance with Rules 3.10A, 3.10 (1) and (2) of the Listing Rules, the Company has appointed three independent non-executive Directors representing not less than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out in the section headed "Directors and Senior Management" in this report. Save for the relationships as detailed in the biographical details, there is no other relationship among the Board to the best knowledge of the Board members. The Company has also maintained on its website and that of the Stock Exchange an updated list of its Directors identifying their roles and functions and whether they are independent non-executive Directors. The independent non-executive Directors are explicitly identified in all of the Company's corporate communications.

Under code provision A.1.1 of the CG Code, the Board shall meet regularly and at least four times a year at approximately quarterly intervals. The Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors.

Directors' resolutions were passed by way of written resolutions or by physical meetings. The Company has to comply with the CG Code provisions with regard to the conduct of meetings, have annual meeting schedules and draft agenda of each meeting made available to Directors in advance and serve notice of regular Board meetings to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is required to be given.

Board papers together with all appropriate, complete and reliable information have to be sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate directors' and officers' liability insurance for its Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirement of the CG Code. No claim was made against the Directors and officers of the Company for the year ended 31 March 2018.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Chairman and chief executive officer are two key aspects of the management of a company. Chairman performs the management of the Board and Chief Executive Officer performs the day-to-day management of the business.

The Company considered that both positions of Chairman and Chief Executive Officer require persons with in-depth knowledge and experience of the Group's business. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

During the year, Mr. Lo Yuen Cheong has been both the Chairman and Chief Executive Officer of the Company. In addition to his responsibilities as Chairman leading and organising the business of the Board, ensuring its effectiveness, setting agenda and formulating overall strategies and policies of the Company, he has taken up the role of Chief Executive Officer to manage the Group's business and overall operation in an efficient manner. The day-to-day business of the Group has been delegated to the divisional heads responsible for the different aspects of the business.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years, and will continue thereafter until terminated by not less than three months' written notice to the other party.

Non-executive Director and each of the independent non-executive Directors have been appointed for an initial term of two years. The appointments are subject to the provisions of the Company's articles of association with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's articles of association. Pursuant to the Company's articles of association, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he/she retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors. Where vacancies arise at the Board, candidates will be proposed and put forward to the Board by the Nomination Committee.

BOARD COMMITTEE

The Company established a Nomination Committee, Remuneration Committee and Audit Committee with terms of reference in compliance with the CG Code, which are posted on the websites of the Company and the Stock Exchange.

Nomination Committee

The Nomination Committee currently comprises five members, being three independent non-executive Directors including Mr. Leung Wai Tat Henry, Prof. Lo Man Chi, *JP* and Ms. Chau Wai Yung, and two executive Directors including Mr. Lo Yuen Cheong and Mr. Lo Yick Cheong.

The principal responsibilities of the Nomination Committee are regular reviewing of the Board composition, identifying and nominating suitable candidates as Board members, assessing of the independence of the independent non-executive Directors and Board evaluation.

The Board is of the view that the Nomination Committee has properly discharged its duties and responsibilities during the year ended 31 March 2018 and up to the date of this report.

From 1 April 2017 up to the date of this report, two meetings of the Nomination Committee was held to review the size, composition and diversity of the Board, the policy for nomination of Directors and the procedures, process and criteria to select and recommend candidates for directorship during the year. The attendance of individual members in the meeting is set out below:

Attendance	**From 1 April 2017 to date of this report**
Lo Yuen Cheong *(Chairman)*	2/2
Lo Yick Cheong	2/2
Chau Wai Yung	2/2
Leung Wai Tat Henry	2/2
Lo Man Chi	2/2

Remuneration Committee

The Remuneration Committee currently comprises of four members, being three independent non-executive Directors including Mr. Leung Wai Tat Henry, Prof. Lo Man Chi, *JP* and Ms. Chau Wai Yung, and one executive Director being Mr. Lo Yuen Cheong.

The Remuneration Committee is responsible for reviewing the remuneration of the Directors and senior management and making recommendation to the Board for approval. The fees of the independent non-executive Directors are recommended by the Remuneration Committee to the Board for approval at the annual general meeting of the Company (with the relevant committee members abstaining from voting on the resolution concerning his/her own remuneration).

The Board is of the view that the Remuneration Committee has properly discharged its duties and responsibilities during the year ended 31 March 2018 and up to the date of this report.

From 1 April 2017 up to the date of this report, two meetings of the remuneration committee was held to review the remuneration policy and the remuneration packages for the Directors and senior management. The attendance of individual members in the meeting is set out below:

Attendance	**From 1 April 2017 to date of this report**
Chau Wai Yung *(Chairman)*	2/2
Lo Yuen Cheong	2/2
Leung Wai Tat Henry	2/2
Lo Man Chi	2/2

Details of the directors' emoluments for the year ended 31 March 2018 are set out in note 10 to the consolidated financial statements of this annual report. The emoluments of the senior management of the Group by band for the year ended 31 March 2018 is set out below:

Remuneration band	**Number of senior management**
HK$1,000,000 to HK$1,500,000	3
HK$1,500,001 to HK$2,000,000	2

Audit Committee

The Audit Committee currently comprises of four members, being three independent non-executive Directors including Mr. Leung Wai Tat Henry, Prof. Lo Man Chi, *JP* and Ms. Chau Wai Yung, and one non-executive Director being Ms. Chan Wai Ying.

The primary duties of the Audit Committee include making recommendations to the Board on the appointment, reappointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor and assessing their independence and performance, reviewing of the effectiveness of financial reporting processes, risk management and internal control systems, and the financial information and compliance of the Group. The Audit Committee meets at least twice a year with the Company's external auditor to discuss the audit process and accounting issues.

The Audit Committee reviewed with the management the Group's unaudited interim results for the six months ended 30 September 2017 and the audited annual results for the financial year ended 31 March 2018, and discussed internal controls, risk management and financial reporting matters. The Audit Committee also reviewed this report, and confirmed that this report complies with the applicable standard, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors. The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities for the year ended 31 March 2018 and up to the date of this report.

From 1 April 2017 up to the date of this report, two meetings of Audit Committee were held with attendance of individual members as set out below:

Attendance	**From 1 April 2017 to date of this report**
Leung Wai Tat Henry *(Chairman)*	2/2
Chan Wai Ying	2/2
Chau Wai Yung	2/2
Lo Man Chi	2/2

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and the management has designed, implemented and monitored of the risk management and internal control systems of the Group to provide reasonable assurance for achieving objectives and to review its effectiveness covering all material controls, including financial and operational aspects, and compliance of applicable laws, rules and regulations.

Rather than eliminating the risk of failure, each department within the Group is responsible for identifying, assessing and managing risks, as well as ensuring internal control systems and risk management are effective. The internal audit function is handled by our non-executive Director who is responsible for evaluating the effectiveness of the Group's policies and procedures and submitting the findings, recommendations and follow up actions to the Audit Committee, which provides independent review on effectiveness of the risk management and internal control systems of the Group and gives recommendation to the Board on a semi-annually basis.

The Board oversees the effectiveness of the risk management and internal control systems, and considers the recommendation from the Audit Committee to resolve any internal control weakness, and to approve and take remedial action when necessary.

The review of the effectiveness of the internal control system of the Group including the adequacy of resources, staff qualifications and experience, budget of the Group's accounting and financial reporting function, and their training programmes have been conducted during the year ended 31 March 2018.

Disclosure of inside information

With reference to the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission under section 399 of the SFO, the Board has implemented procedures and internal controls for handling and dissemination of inside information. The Group has adopted a policy which aims to set out guidelines to the Group's directors, officers and all relevant employees to ensure inside information of the Company is to be disseminated to the public in equal and timely manner in accordance with the SFO and the Listing Rules.

QUALITY, HEALTH, SAFETY AND ENVIRONMENTAL MANAGEMENT

Quality

The Group has instituted an integrated management system, meeting the requirements of ISO9001:2008, the clients and the statutory regulations. The Group has also obtained ISO14001:2015 for the professional standards of quality, safety, environmental and operation management.

The Group has consistently delivered products and services of the highest quality through a process of continuous improvement to earn social recognition and become the preferred partner with each of its valued clients.

Health, safety and environmental

Health and safety of all those who visit and work on the Group's sites, together with the protection of the environment, have been and will remain key priorities of the Group.

In addition to the three Board Committees of the Company, a robust Safety, Health and Environment Committee has been established to ensure that health, safety and environmental matters are appropriately managed by the Group. During the year, the Safety, Health and Environment Committee has continued to drive the continuous improvement of health, safety and environmental practices throughout the Group.

The committee members include an executive Director, an assistant general manager for operation, an assistant general manager for quality and health, safety and environmental management, and the safety manager and they meet formally bimonthly unless they are notified to the contrary.

The role of the Safety, Health and Environment Committee is to:

- Build and sustain an Incident/Injury-free working environment;

- Create a positive health, safety and environmental culture;

- Implement an effective health, safety and environmental management system and proactively manage health, safety and environmental performance.

The Group has improved its overall safety performance and achieved its ultimate goal of zero fatal accident and extremely low reportable accident case for the year. For the year ahead, the Safety, Health and Environment Committee will continue to promote the benefits of health, safety and environmental and reduce the Group's accident frequency rate.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board Diversity Policy aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. In particular, the representation of men and women on the Board has reached 50%:50%. We believe gender diversity enables better problem solving and brings different perspectives and approaches issues differently, leading to improved decision making processes. These differences are taken into account in determining the optimum composition of the Board. The Nomination Committee discusses the measurable objectives for implementing diversity on the Board from time to time and recommends them to the Board for adoption.

The Nomination Committee reports annually on the composition of the Board from diversified perspectives, and monitors the implementation of this policy to ensure the effectiveness of this policy. It also discusses any revisions that may be required, and recommends any such revisions to the Board for consideration and approval.

CONTINUOUS PROFESSIONAL DEVELOPMENT

According to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, as well as placing an appropriate emphasis on the roles, functions and duties of the Directors.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on Directors' training and they have provided a record of training they received for the year ended 31 March 2018 to the Company.

A summary of continuous professional development each Director participated in during the year ended 31 March 2018, according to the records provided, is set out below:

Name of Directors	Attending internal briefings or trainings, participating seminars or reviewing materials
Executive Directors	
Lo Yuen Cheong	✓
Lo Yick Cheong	✓
Non-executive Director	
Chan Wai Ying	✓
Independent non-executive Directors	
Leung Wai Tat Henry	✓
Lo Man Chi	✓
Chau Wai Yung	✓

All the Directors attended a training session conducted by the Company's legal adviser relating to directors' duties and responsibilities under the Hong Kong Companies Ordinance (Cap. 622), the Listing Rules and other applicable laws and regulations.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and all Directors have confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 March 2018.

DELEGATION OF MANAGEMENT FUNCTIONS

The Board reserves for its decision all major matters of the Company including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

ACCOUNTABILITY

The Directors are acknowledged of their responsibility for preparing of the financial statements of the Group for the year ended 31 March 2018 under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cashflow of the Group. The Directors ensure that the financial statements for the year ended 31 March 2018 were prepared in accordance with the statutory requirements and the applicable accounting standards, and have been prepared on a going concern basis.

COMPANY SECRETARY

All Directors have access to the advice and services of the company secretary of the Company, Mr. Wan Ho Yin, a full time employee of the Company. Please refer to his biographical details as set out on page 9 of this annual report.

During the year ended 31 March 2018, Mr. Wan Ho Yin has taken not less than 15 hours of professional training.

SHAREHOLDERS' RIGHTS

The Company is committed to pursue active dialogue with shareholders as well as to provide disclosure of information concerning the Group's material developments to shareholders, investors and other stakeholders.

Any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

To safeguard shareholder interests and rights, a separate resolution would be proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

As regards proposing a person for election as a director, the procedures are available on the website of the Company.

Shareholders who have enquiries regarding the above procedures may write to the company secretary of the Company at Unit D, 10/F, Skyline Tower, 18 Tong Mi Road, Mongkok, Kowloon, Hong Kong.

There are no provisions allowing shareholders to make proposals or move resolutions at shareholders' meeting under the articles of association of the Company or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting as set out above.

AUDITOR'S REMUNERATION

For the year ended 31 March 2018, the remuneration paid/payable to the Company's auditor, Deloitte Touche Tohmatsu, amounted to HK$1,350,000 in respect of the annual audit and interim review services of the Company.

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out in pages 34 to 37 in the Independent Auditor's Report forming part of this annual report.

INDEPENDENT AUDITOR

The Audit Committee reviews and monitors the independent auditor's independence, objectivity and effectiveness of the audit process. It receives each year letter from the independent auditor confirming their independence and objectivity and holds meetings with representatives of the independent auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the independent auditor.

INVESTOR RELATIONS

There was no significant amendments made to the constitutional documents of the Company during the year.

The Group recognises the importance of timely and non-selective disclosure of information. The Company's corporate website www.manking.com.hk, which features a dedicated Investor Relations section, facilitates effective communication with shareholders, investors and other stakeholders, making corporate information and other relevant financial and non-financial information available electronically and in a timely manner. Latest information of the Company includes announcements, press releases and constitutional documents.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions are welcome, and they can be addressed to the Group by mail or by email at manking@manking.com.hk.

The Group has implemented internal environmental policies by setting up the Safety, Health and Environment Committee aiming to ensure that the environmental matters are appropriately managed by the Group. The Group has also obtained ISO14001:2015, a certified environmental management system, since June 2017, and we aim to follow and to promote good sustainability practice, to reduce our negative impacts of all our activities by using least resource practicable, developing smarter method of construction, and creating processes to deliver projects more efficiently, and influencing our clients to do the same.

For the purpose of enhancing transparency of our policies and procedures and establishing a channel of communication with our stakeholders, we have identified material environmental, social and governance ("ESG") policies with reference to Appendix 27 — Environmental, Social and Governance Reporting Guide of the Listing Rules, and discussed each as below:

IDENTIFIED MATERIAL ASSESSMENT FOR ESG ASPECTS

Environmental

Emissions (air, noise, water)
Waste mitigation measures
Use of resources

Social

Employment and labour practices
Training and development
Health and safety
Labour standards
Supply chain management
Anti-corruption
Community investment

ENVIRONMENTAL

(i) Air (Carbon emissions)

The Air Pollution Control Ordinance provides powers to statutory authorities to control air pollutants from a variety of stationary and mobile sources, including fugitive dust emissions from construction sites. The Ordinance also provides license control on certain polluting industrial processes known as "specified processes" such as concrete batching. The aim is to properly control and monitor the air pollution caused by the industries that have significant pollution potential.

Over 50% of the Group's carbon emissions comes from fuel used in cars and goods vehicles owned and operated by the subsidiaries or joint operations of the Group. We reduced these emissions through a combination of investment in new fuel efficient vehicles and driver training. In this regard, we had disposed 13 old diesel vehicles in the last financial year and continued to dispose 4 more vehicles this financial year. Some previous Euro II or III commercial vehicles have been replaced by Euro V commercial vehicles, all of which have better air emissions performance. We have also provided to our project clients with cars driven by electricity instead of fuel, so as to help mitigate the carbon emission.

(ii) Noise

To help mitigate the negative construction impacts to the public, we carry out all construction activities only during the permitted hours and days. We carry out construction works using powered mechanical equipment with silence devices. In addition, our project sites have set up retrofitting noise barriers and limitation of speed of site vehicles within 20km/h to reduce noise generation.

(iii) Water

To fully comply with the Water Pollution Control Ordinance which governs waste water discharged by our construction site, all our projects apply and maintain valid license before any of these discharges commence.

We have carried out comprehensive water quality mitigation measures to comply with the regulations as well as better management on water resources for each project, mainly focusing on water conversation and discharge quality. Each project monitors its water use and consumption. One of our projects in Shatin has made use of the water flowing through the site for construction use. Such water is suitable for construction purposes and, if not used, will be discharged at the end of Shing Mun River to Tolo Harbour.

(iv) Waste mitigation measures

Managing waste is a key environmental issue of the Group and we recognise that the construction activities may affect the environment in a number of ways and commit to minimise the potential negative impacts on a site-by-site basis, taking into account the size, constraints and type of the project. The hierarchy adopted is based on reuse, recycling, reduction, recovery and at the last resort, treatment prior to disposal.

Type of Waste	Works requiring Waste Mitigation Measures	Mitigation Measures
Construction Waste	Construction mainly comprises: 1. Road works 2. Earthworks 3. Drainage and Sewerage works 4. Water works	(a) Application of proper procedures and controlled conditions to minimise concrete wastage. (b) A reconciliation of concrete supplied and volumes placed will be supplied to the engineer and/or foreman to enable him to check that wastage volumes are kept within reasonable limits.
Formwork/ Steel Waste	Construction mainly comprises: 1. Road works 2. Earthworks 3. Drainage and Sewerage works 4. Water works	(a) Reusable metal forms will be used for drainage works so that large wastage of planks and timber can be minimised. (b) Careful design and planning to avoid over ordering of timber for formwork. (c) Maximise the use of standard timber faced panels for repetitive reuse. (d) To minimise steel wastage, steel structure for roofing, walkway, will be prefabricated prior to delivery to site.
Demolition Waste	1. Mainly due to site clearance 2. Existing staircase	(a) As these volumes of waste are unavoidable, site works areas and haul roads will be contained as far as possible to limit site clearance waste. (b) Removal of debris, temporary or permanent structures and other items arising from site clearance.

Type of Waste	Works requiring Waste Mitigation Measures	Mitigation Measures
Chemical Waste	Form oil, retarder, bonding agent, diesel for poker vibrator and generator, etc., used in the construction of 1. Road works 2. Earthworks 3. Drainage and Sewerage works 4. Water works	(a) Adjacent to the sorting facility/site boundary, will be a chemical storage area for keeping chemicals to avoid accidental leakage into the ground and with a chemical waste storage area next to it for placement of chemical waste and its disposal by a chemical waste collector. (b) Chemicals will be placed in the chemical storage area or in a bunded area to avoid accidental spillage. (c) Accidental spillage of chemicals will be properly treated to avoid passing into the drainage system. (d) Will register as a chemical waste producer with Environmental Protection Department of HKSAR.
Sorting of Waste for recycle prior to disposal	Waste generated from the construction includes: 1. Road works 2. Earthworks 3. Drainage and Sewerage works 4. Water works Excavation & backfilling 5. Slope works 6. Removal of debris, temporary or permanent structures and other items arising from site clearance.	(a) Sorting area and chemical storage areas to be arranged. (b) Skip is made available for the collection of general waste for disposal. (c) Sorting will take place at the designated area near the entrance and at the boundary of the site to allow for efficient sorting and disposal (if required). (d) Waste water will be recycled for wheel washing and water spray to prevent dust generation. (e) Site hoarding will be bunded to avoid waste water flowing down the slope to the nearby premises. (f) Manhole will also be bunded with sand bags to avoid waste water entering as a result of surface run-off due to rain. (g) Licence to dump at the public fill will be applied for and will dump at the designated area as approved by Civil Engineering and Development Department of HKSAR.

The amount of materials that we purchase and the amount of waste thus generated is a direct cost to our business. Reduction in waste will make our business operated in a more efficient way and thus achieve both economic and financial benefits. For example, one of our projects in Shatin was closely monitored and took proper and effective measures in preventing any solid waste or soil erosion discharged to Shing Mun River. We also managed to divert a number of tuck loads fell trees from disposal to landfill for re-uses as horticultural features. This gives us great incentive and helps to consistently reduce waste to landfill and increase re-use.

(v) Use of resources

The below performance data are for reference only and they may vary significantly subject to the number of projects on hand and the stage of completion of each project:

Electricity	243,089 kWh
Water	20,929 m^3
Petrol	38,797 litres
Diesel	169,168 litres
NO_x emissions	398,549 g
SO_x emissions	3,294 g
PM emissions	32,668 g
Scope 1	534 tCo_2e
Scope 2	131 tCo_2e
Total greenhouse gas emissions (Scope 1 + Scope 2)	665 tCo_2e
Non-hazardous waste	83,728 tonnes
Paper consumption	1,644 kg

Our hazardous waste mainly refers to the disposal of spent lube oil and empty plaint can where the quantities are minimal to the Group. We monitor the usage of resources regularly to prevent any abnormal usage. Explanation is required in our management meeting in the event that there is an abnormal usage of resources.

Since late 2017, we have reduced paper usage by implementing new human resource management system to allow employees accessing salary and leave record online to replace the payroll slip. We have also set up temperature monitor sensor at our site office to monitor any excessive electricity usage.

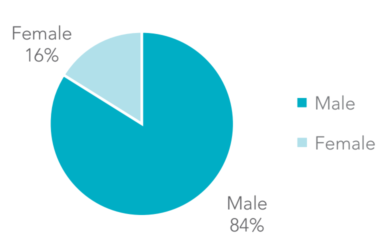
Apart from the above, we encourage our employees to reuse non-confidential waste paper and recycling and seasonal free of air-conditioner within the workplace, and always fully utilise the vehicles by planning the routes on daily basis.

SOCIAL

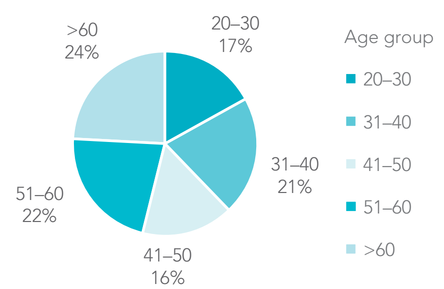
(i) Employment and labour practices

The Group has established and maintained fair and comprehensive employment policies and regulatory standards in compliance with the Employment Ordinance, the Employees' Compensation Ordinance and other applicable regulations, and provides equal opportunity and career development to all of the employees. As at 31 March 2018, the total workforce by gender, age group, employment type and employee by department are demonstrated as follow:

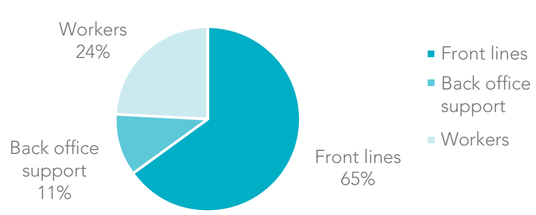
Gender



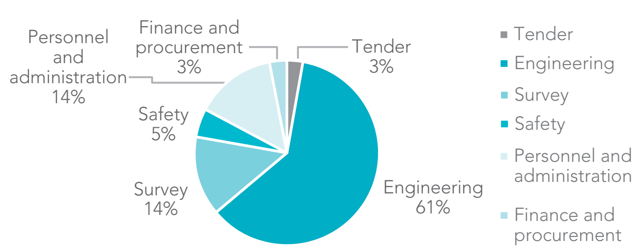
Age group



Employment type



Employee by department



There are approximately 460,000 workers in Hong Kong and 40% of them are older than 50. The retirement of old workers will sharpen the problem of labour shortage. We face the same challenge and we continue to recruit young workers with attractive packages to maintain our productivity.

Diversity
We value the diverse background and experience of our people to make most of their talents. Gender emphasis on male is common in construction industry. However, the gender of our Board are well diversified and balanced. We believe it will bring the same benefit to the front line by recruiting more female employees in the future.

Employee Engagement and Retention
Our growth relies on our people. The number of staff depends on the number of projects on hand and our average staff turnover rate for the year is approximately 16.7%. We are proud of having a loyal and stable workforce. We continue to recruit and develop a number of apprentices, Vocational Training Council (VTC) and undergraduate placements. The Group, through its operation companies, has sponsored scholarships to VTC students in the past years. This provided a reliable access for recruitment of fresh talents.

(ii) Training and development

Providing training and development opportunities to our workforce is important in recruitment and retention of our employees. We know that work should be challenging, rewarding and stimulating and should be able to provide new opportunities to employees to overcome obstacles and develop skills. With this in mind, we make sure that all the staffs across every part of the business have regular opportunities to learn and grow.

We have offered two phases training courses in the past 2 years and most of our staff were covered and trained. In particular, we have arranged comprehensive training on new NEC form of contract which will be fully implemented for all public works this year. Consistent with last year policy, we have also nominated employees to attend the core programs which were comprehensive and beneficial to personal development. Average training hours for each employee reached 8.3 hours during the year ended 31 March 2018.

During the year, we have also joined Contractor Cooperative Training Scheme organised by the Construction Industry Council to encourage on-site training for our engaged subcontractors.

Development is important in recruitment and retention of our employees and we target to provide a minimum of 3 training days for each employee. We continue to sponsor our employees to engage in learning courses in technical apprenticeship programme and degree programme, and sponsor personnel self-development through the taking up of external training programs, seminars or diploma courses.

Furthermore, the designated workers for designated skills ("DWDS") requirement of the Construction Workers Registration Ordinance have been implemented since April 2017, which provides that only registered skilled workers or semi-skilled workers of related trade divisions are allowed to independently carry out construction works of specified trade divisions on construction sites. This aims at enhancing the quality of construction works and career status of construction workers.

We provided reminder and assistance to our direct labour for registration. As at 31 March 2018, we have 12 out of 32 workers already registered as qualified instructor under DWDS specializing in concrete and grouting, drain layer, cement sand mortar, asphalter, plumber, carpenter (formwork) master, metal formwork erector, etc. We continue to encourage and support the remaining 20 workers to accumulate relevant experiences and proceed to be promoted as instructor within the next 2 years.

(iii) Health and safety

The health and safety requirements challenge our management to ensure it creates a safe working environment for all our staff. To ensure adequate protection for employees against accidents, instructions in relation to safety policies and procedures have been issued to departments and work sites on safety policies and procedures. Further, the Group has established Safety, Health and Environment Committee to drive the continuous improvement of health, safety and environmental practices throughout the Group. The Group has developed, implemented and maintained a safety management system to:

- Build a positive health and safety culture within the workforce
- Properly implement safety and health control measures
- Minimize accidents/near misses
- Deliver the project on time
- Improve the effectiveness of safety and health systems
- Efficiently use of resources
- Enhance productivity
- Enhance communication between project team and stakeholders.

Through the concerted efforts of all parties concerned, the Group has no fatal accident in the current and past years, and one reportable accident in the current year. Regarding the reportable accident during the year, lost days due to work injury are 187. Comparing to the average accident rate per 1,000 workers of 34.5 and fatality rate of 0.1 in the construction industry in general extracted from the latest Occupational Safety and Health Statistics, the Group's accident and fatality rates are lower than the industry average.

In late 2017, the Group garnered Best Site Safety Award (Timely Report of Near Miss Incident Award (Civil Works)) from Hong Kong Housing Authority. The Group led the culture of 'visible leadership' on safety matters, with regular site visits by members of the Board during the year.

(iv) Labour standards

We have complied with all relevant laws and regulations as to protecting labour rights and taken reasonable steps to ensure that no forced labour, child labour and illegal labour are in our business operations, including the subcontractors worked with the Group. The Group has no record of employment conviction in the past 6 years.

(v) Supply chain management

We have engaged over 120 suppliers and 80 subcontractors to carry out works for our projects based in Hong Kong. The Group maintains long term business relationship with them to ensure stable supply of materials or carrying out subcontracting works on time. Our site agents keep reviewing the performance of each supplier or subcontractor on an annual basis, focusing on their abilities to meet quality, cost, safety and schedule requirements, and other criteria such as competency, cooperation, communication and organisation of work. If the evaluation score for a particular supplier/subcontractor is below average, that supplier/subcontractor will be classified as a disqualified supplier/subcontractor and removed from the supplier/subcontractor register. Such performance evaluation will be reviewed by the management, and the supplier/subcontractor of unsatisfactory performance will be discussed in the project review meeting.

(vi) Anti-corruption

We always demonstrate strong commitment to anti-corruption business practices and have zero tolerance to corruption. We have implemented whistle-blowing policy statement and code of conduct on notice board to listen to the concerns of employee, and to make sure they know about the policy and how to make a disclosure. There is no legal case relating to bribery, extortion, fraud or money laundering brought against the Group or its employees during the year. We continue to carry out regular review and update policy statement if necessary so as to ensure their effectiveness to strengthen the internal controls and compliance regime of the Group.

(vii) Community investment

We believe corporate social responsibility as a viable and necessary part of doing business. Our aim, as a responsible construction group, is to reduce this negative impact by approaching our business objectives responsibly and by responding to the different concerns and demands of those affected by our activities, while remaining profitable and competitive.

Our Group's subsidiaries have been qualified as Caring Company launched by the Hong Kong Council of Social Service which is specifically geared to building strategic partnerships among businesses and non-profit organisations to create a more cohesive society.

In 2017, the Group, through its subsidiaries, participated voluntary works in different occasions. In particular, the Group made donation to Sowers Action by joining "Sending Love" program to help children withstand the cold winter in China.

We see the long-term and sustainable development in Hong Kong is crucial to our business, and that we continue to enhance our integrated strength as well as operating and management expertise to develop a new model for multifaceted investments and business development. We shall strive to create a solid and proactive proprietary framework for securing our position in the ever-changing market environment and be a valuable member of the community.

Deloitte. 德勤

TO THE SHAREHOLDERS OF
MAN KING HOLDINGS LIMITED
萬景控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Man King Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 38 to 81, 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter

Recognition of revenue and cost from construction contracts and amounts due from (to) customers for contract works

We identified the recognition of revenue and cost from construction contracts and amounts due from (to) customers for contract works as key audit matters due to the significance of these balances to the consolidated financial statements as a whole combined with the significant management's judgements and estimation involved in the determination of the total outcome of the construction contracts as well as the percentage of completion of the construction contracts.

As at 31 March 2018, the Group recorded amounts due from customers for contract works of approximately HK$86,736,000 and amounts due to customers for contract works of approximately HK$22,449,000. The Group recognised revenue and the cost from construction contracts amounting to approximately HK$232,146,000 and HK$197,632,000 respectively for the year ended 31 March 2018.

The Group recognises contract revenue based on the actual payments certified by the customers according to the stage of completion of projects, and recognises cost of construction contracts and amounts due from (to) customers for contract works according to the Group's management's estimation of the total outcome of the construction contracts as well as the percentage of completion of construction contracts. As such, the actual outcome of the contract in terms of its total costs may be different from the estimation and this will have material financial impact on the consolidated financial statements.

Details are set out in note 4 to the consolidated financial statements.

Our procedures in relation to the recognition of revenue and cost from construction contracts and amounts due from (to) customers for contract works included evaluating the accuracy and reasonableness of management's estimation of revenue and cost recognised on construction contracts by performing the following procedures on a sampling basis:

- Agreeing the contract sum and budgeted costs to respective signed contracts and approved budgets;
- Understanding the basis of preparation of budgets and determination of stage of completion by discussing with management and project managers who are responsible for the preparation of budgets and determination of stage of completion;
- Challenging the reasonableness of the approved budgets by enquiring the management and project managers about the assumptions used (ie. construction period, cost of materials, staff costs, etc) when preparing the budget and make reference to the actual costs of completed projects that were comparable in scale and nature;
- Agreeing the variation orders to correspondence with customers;
- Challenging the management's assessment on the Group's ability to deliver contracts within budgeted timescales by inspecting the certificates issued by independent surveyor and comparing the progress with the budgeted timeline;
- Evaluating the reasonableness of percentage of completion as at year end by obtaining the certificates issued by external surveyors and performing site visits to the construction sites;
- Evaluating the historical accuracy of the approved budgets for completed contracts by comparing the actual revenue and costs of the completed projects against the management's estimation; and
- Checking the accuracy of the amounts due from (to) customers for contract works by agreeing the amount of progress billings to billings issued to customers, and agreeing the amount of contract costs incurred to supplier invoices and payment request certificates from subcontractors.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Fung Hin Chiu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 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	**232,157**	164,516
Cost of services		**(197,632)**	(124,945)
Gross profit		**34,525**	39,571
Other income	6	**1,460**	2,673
Other gains and losses	7	**2,236**	775
Administrative expenses		**(29,084)**	(32,058)
Finance costs	8	**(27)**	–
Profit before tax		**9,110**	10,961
Income tax expense	9	**(2,103)**	(2,432)
Profit and total comprehensive income for the year	11	**7,007**	8,529
Earnings per share			
Basic and diluted (in HK cents)	13	**1.67**	2.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment property	14	–	2,310
Property, plant and equipment	15	**18,479**	8,873
Held-to-maturity investment	16	**3,500**	–
		21,979	11,183
Current assets			
Amounts due from customers for contract works	17	**86,736**	64,153
Debtors, deposits and prepayments	18	**57,951**	49,784
Amounts due from joint operations	19	**19,974**	8,443
Tax recoverable		**1,881**	2,602
Held-for-trading investments	20	**7,829**	5,485
Pledged bank deposits	21	**5,206**	4,644
Bank balances and cash	21	**153,624**	181,926
		333,201	317,037
Current liabilities			
Amounts due to customers for contract works	17	**22,449**	11,481
Creditors and accrued charges	22	**32,606**	35,005
Amounts due to other partners of joint operations	19	**14,082**	7,666
Tax liabilities		**803**	225
Bank borrowing	23	**3,026**	–
		72,966	54,377
Net current assets		**260,235**	262,660
Total assets less current liabilities		**282,214**	273,843
Non-current liability			
Deferred tax liabilities	24	**1,292**	502
Net assets		**280,922**	273,341
Capital and reserves			
Share capital	25	**4,198**	4,205
Share premium and reserves		**276,724**	269,136
Total equity		**280,922**	273,341

The consolidated financial statements on pages 38 to 81 were approved and authorised for issue by the Board of Directors on 15 June 2018 and are signed on its behalf by:

LO Yuen Cheong
DIRECTOR

LO Yick Cheong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Property revaluation reserve HK$'000	Other reserve HK$'000 (Note)	Retained earnings HK$'000	Total HK$'000
At 1 April 2016	4,150	80,175	2,059	1,193	33,600	135,445	256,622
Profit and total comprehensive income for the year	–	–	–	–	–	8,529	8,529
Issue of shares upon exercise of share options (note 25)	55	6,881	(884)	–	–	–	6,052
Share issue expenses	–	(3)	–	–	–	–	(3)
Share-based compensation (note 26)	–	–	2,141	–	–	–	2,141
At 31 March 2017	4,205	87,053	3,316	1,193	33,600	143,974	273,341
Profit and total comprehensive income for the year	–	–	–	–	–	7,007	7,007
Share repurchased and cancelled (note 25)	(7)	(579)	–	–	–	–	(586)
Transfer to retained earnings upon expiry of share options	–	–	(4,476)	–	–	4,476	–
Share-based compensation (note 26)	–	–	1,160	–	–	–	1,160
At 31 March 2018	4,198	86,474	–	1,193	33,600	155,457	280,922

Note: The Company was incorporated on 12 November 2014 with limited liability in the Cayman Islands with an authorised share capital of HK$2,000,000,000 divided into 200,000,000,000 ordinary shares with a par value of HK$0.01 per share. 1 share was allotted and issued to the subscriber, which was transferred to Jade Vantage Holdings Limited ("Jade Vantage") on 12 November 2014. 9,999 ordinary shares were allotted and issued to Jade Vantage on 13 November 2014 at par.

As part of the group reorganisation completed on 31 December 2014, Mr. Lo Yuen Cheong and Ms. Tam Wai Sze, Vera, the ultimate shareholders of the Company, transferred their 100% equity interest in Concentric Construction Limited ("Concentric") to Wit Plus Limited, a wholly-owned subsidiary of the Company, for the 5,000 ordinary shares at par value of US$1.00 each in the share capital of Jade Vantage. On the same date, Mr. Lo Yick Cheong and Ms. Cheung Suk Ching, Savonne, the ultimate shareholders of the Company, transferred their 100% equity interest in Peako Engineering Co. Limited ("Peako") to Keytime Developments Limited, a wholly-owned subsidiary of the Company, for the 5,000 ordinary shares at par value of US$1.00 each in the share capital of Jade Vantage. As a result, Concentric and Peako became indirectly wholly-owned subsidiaries of the Company. The share capital of Peako and Concentric of HK$33,600,000 is reclassified to "Other reserve".

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**9,110**	10,961
Adjustments for:		
Change in fair value of held-for-trading investments, net	**(878)**	(1,461)
Change in fair value of investment property	**(40)**	(110)
Depreciation of property, plant and equipment	**3,373**	1,616
Finance costs	**27**	–
Fixed assets written off	**7**	–
Net gain on disposal of property, plant and equipment	**(231)**	(500)
Share-based compensation	**1,160**	2,141
Unrealised exchange (gains) losses, net	**(1,225)**	1,296
Interest income	**(700)**	(618)
Operating cash flows before movements in working capital	**10,603**	13,325
(Increase) decrease in held-for-trading investments	**(1,166)**	7,937
Increase in amounts due from customers for contract works	**(22,583)**	(3,682)
Increase in debtors, deposits and prepayments	**(8,132)**	(1,237)
Decrease in amounts due from joint operations	**3,170**	5,551
Increase (decrease) in amounts due to customers for contract works	**10,968**	(7,890)
(Decrease) increase in creditors and accrued charges	**(2,399)**	6,263
Increase (decrease) in amounts due to other partners of joint operations	**3,090**	(946)
Cash (used in) generated from operations	**(6,449)**	19,321
Income tax paid	**(14)**	(6,622)
Income tax refunded	**–**	327
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(6,463)**	13,026
INVESTING ACTIVITIES		
Interest received	**665**	618
Purchase of property, plant and equipment	**(10,682)**	(5,467)
Proceeds from disposal of property, plant and equipment	**277**	511
Purchase of held-to-maturity investment	**(3,500)**	–
Advances to joint operations	**(15,869)**	(2,263)
Repayments from joint operations	**1,168**	195
Placement of pledged bank deposits	**(5,206)**	(4,730)
Withdrawal of pledged bank deposits	**4,644**	4,733
Withdrawal of short-term bank deposits	**–**	2,011
NET CASH USED IN INVESTING ACTIVITIES	**(28,503)**	(4,392)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
FINANCING ACTIVITIES		
Interest paid	(27)	–
Proceeds from exercise of share options	–	6,052
Payment on repurchases of shares	(586)	–
Advance from other partners of joint operations	3,856	1,470
Repayment to other partners of joint operations	(530)	(18)
Raise of new bank borrowing	3,500	–
Repayment of bank borrowing	(474)	–
Share issue cost directly attributable to issue of new shares	–	(3)
NET CASH FROM FINANCING ACTIVITIES	5,739	7,501
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(29,227)	16,135
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	181,926	167,001
Effect of foreign exchange rate changes	925	(1,210)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	153,624	181,926

1. GENERAL

Man King Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent company is Jade Vantage Holdings Limited. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report. The Company acts as an investment holding company. The principal activities of the subsidiaries (together with the Company referred to as the "Group") are provision of construction and civil engineering. Details of the major subsidiaries are set out in note 35.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

Amendments to HKAS 7 *Disclosure Initiative*

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

The Group's liabilities arising from financing activities consist of bank borrowing and amounts due to other partners of joint operations. A reconciliation between the opening and closing balances of these items is provided in note 31. 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 31, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs and interpretations in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[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 Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

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

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

[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 requirements of HKFRS 9 which are relevant to the Group are:

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

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

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

Classification and measurement

- Debt instruments classified as held-to-maturity investment carried at amortised cost as disclosed in note 16: it is held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, this financial asset will continue to be subsequently measured at amortised cost upon the application of HKFRS 9; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

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

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

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

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.

As regards the construction contracts, the directors of the Company have assessed that as performance obligation is satisfied over time therefore revenue from these construction contracts should be recognised over time during the course of construction by the Group. The output method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under HKFRS 15. Furthermore, 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.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the retrospective reporting periods.

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, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

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

HKFRS 16 *Leases* *(Continued)*

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. 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$1,254,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16. 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 low value or short-term leases.

Except as described above, the directors of the Company do not expect the application of the other new and revised HKFRSs and interpretations in issue but not yet effective in the current year will have material impact on the Group's financial performance and positions and/or on the disclosures set out in the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains controls until the date when the Group ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as describe below.

Consultancy fee income is recognised when services are provided.

The Group's accounting policy for recognition of revenue from construction contracts is described in the accounting policy on construction contracts below.

Dividend income from investments is recognised when the rights to receive payment have been established.

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

Construction contracts

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

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

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

Borrowing costs

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

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

Retirement benefits costs

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

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to directors of the Company and employees of the Group are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based transactions are set out in note 26.

The fair value determined at the grant date without taking into consideration all non-market vesting conditions conditions of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant property revaluation reserve will be transferred directly to retained earnings.

Investment property

Investment property is property held to earn rentals. Investment property is measured initially at cost or deemed cost (which is the fair value of property at the time of transfer from owner-occupied property). Subsequent to initial recognition, investment property is measured at fair value. Gain and loss arising from change in the fair value of the investment property is included in profit or loss in the period in which it arises.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

For the purpose of measuring deferred tax liability for investment property that is measured using the fair value model, the carrying amount of such property is presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

If there is a transfer from investment property carried at fair value to owner-occupied property evidenced by the commencement of owner occupation, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

Financial assets classified as at FVTPL represent the financial assets that are held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excluded any dividend or interest earned on the financial assets and is included in other gains and losses in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 30c.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Held-to-maturity investment

Held-to-maturity investment is a non-derivative financial asset with fixed or determinable payments and fixed maturity date that is quoted in an active market and that the Group has the positive intention and ability to hold to maturity.

The Group designated debt instrument that is issued by a company listed on the Stock Exchange as held-to-maturity investment as it has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held- to-maturity investment is measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including debtors and deposits, amounts due from joint operations, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including creditors and accrued charges, amounts due to other partners of joint operations and bank borrowing) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

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

Impairment on tangible assets

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

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

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

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

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (which is dealt with separately below), that management of the Group has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Joint arrangements

The management of the Group performed an assessment of whether the Group has joint control over the Group's joint arrangements. Pursuant to the respective contractual agreements regarding each of these joint arrangements, all major decisions and the decisions regarding the relevant activities of these joint arrangements require the unanimous consent of all parties to the arrangement. Accordingly, the management of the Group concluded that the Group has joint control over the joint arrangements.

The management of the Group also assessed whether these joint arrangements are joint operations or joint ventures under HKFRS 11. After considering the rights and obligations of parties to the joint arrangements with reference to the structure, the legal form of the arrangements, the contractual terms agreed by the parties in the arrangements, and the relevant facts and circumstances, the management of the Group concluded that all of the Group's joint arrangements should be classified as joint operations under HKFRS 11 as the relevant joint arrangement document specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements.

Key sources of estimation uncertainties

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

Construction contracts in respect of civil engineering work

The Group recognises profit of a construction contract according to the Group's management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Estimated construction revenue is determined in accordance with the terms set out in the relevant contract. Construction costs which mainly comprise subcontracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Variations in contract work and claims are included in revenue to the extent that the amount has been certified by the architect and its receipt is considered probable based on the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Estimated impairment of trade and retention receivables and amounts due from joint operations

The management estimates the recoverability of trade and retention receivables and amounts due from joint operations based on objective evidence. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured at 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 (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2018, the carrying amounts of trade and retention receivables of the Group were approximately HK$44,302,000 (2017: HK$36,796,000), while the carrying amount of amounts due from joint operations of the Group was approximately HK$19,974,000 (2017: HK$8,443,000).

5. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for revenue arising on civil engineering works and consultancy fee income.

	2018	2017
	HK$'000	HK$'000
Civil engineering works	**232,146**	164,481
Consultancy fee income	**11**	35
	232,157	164,516

Information reported to the management of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance is on a project by project basis. Each individual project constitutes an operating segment. For operating segments that have similar economic characteristics, they are produced using similar production process, distributed and sold to similar classes of customers and under similar regulatory environment, and their segment information is aggregated into civil engineering works as single reportable segment. The management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the year of the Group as presented in the consolidated statement of profit or loss and other comprehensive income. The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 3. No analysis of the Group's assets and liabilities is disclosed as such information is not regularly provided to the management of Group for review.

Geographical information

The Group's revenue is all derived from operations in Hong Kong and the Group's non-current assets are all located in Hong Kong.

Information about major customers

Revenue from customers in respect of civil engineering works contributing over 10% of the total revenue of the Group is as follows:

	2018	2017
	HK$'000	HK$'000
Customer 1	**133,257**	78,081
Customer 2	**N/A**[1]	27,035
Customer 3	**33,269**	16,967
Customer 4	**33,580**	Nil

1 The corresponding revenue did not contribute over 10% of total revenue of the Group in the respective year.

No other revenue from transaction with a single external customer amounted to 10% or more of the Group's revenue during both years.

6. OTHER INCOME

	2018 **HK$'000**	2017 HK$'000
Bank interest income	**613**	618
Interest income from held-to-maturity investment	**87**	–
Gross rental income from investment property	**33**	78
Dividend income from held-for-trading investments	**438**	687
Others	**289**	1,290
	1,460	2,673

7. OTHER GAINS AND LOSSES

	2018 **HK$'000**	2017 HK$'000
Net gain on disposal of property, plant and equipment	**231**	500
Change in fair value of held-for-trading investments, net	**878**	1,461
Change in fair value of investment property	**40**	110
Net exchange gains (losses)	**1,087**	(1,296)
	2,236	775

8. FINANCE COSTS

The finance costs represent interest on bank borrowing.

9. INCOME TAX EXPENSE

	2018 **HK$'000**	2017 HK$'000
Income tax		
Current year	**894**	2,389
Under(over) provision in prior years	**419**	(7)
	1,313	2,382
Deferred taxation (note 24)	**790**	50
	2,103	2,432

The Group is subject to Hong Kong Profits Tax at a rate of 16.5% for both years. For the year ended 31 March 2017, no provision for taxation in Hong Kong was made for a joint operation of the Group as the assessable profits were relieved by the tax losses amounted to approximately HK$5,000.

9. INCOME TAX EXPENSE *(Continued)*

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

	2018	2017
	HK$'000	HK$'000
Profit before tax	**9,110**	10,961
Tax expense at Hong Kong Profits Tax Rate of 16.5%	**1,503**	1,809
Tax effect of expenses not deductible for tax purpose	**338**	576
Tax effect of income not taxable for tax purpose	**(573)**	(550)
Tax effect of tax losses not recognised	**759**	591
Utilisation of tax losses previously not recognised	**–**	(1)
Under(over) provision in prior years	**419**	(7)
Others	**(343)**	14
Income tax expense for the year	**2,103**	2,432

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

Directors

The emoluments of the directors of Company are as follows:

	2018	2017
	HK$'000	HK$'000
Fees	**522**	504
Salaries and other allowances	**7,547**	8,184
Share-based compensation	**486**	1,166
Discretionary bonus (Note)	**682**	697
Retirement benefit scheme contributions	**54**	54
	9,291	10,605

Note: The discretionary bonus is determined with consideration of the progress and performance of construction contract works for both years.

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

Directors *(Continued)*

Directors' and chief executive's remunerations for the year, disclosed pursuant to applicable Listing Rules and Hong Kong Companies Ordinance, are as follow:

	2018					2017				
	Fees HK$'000	Salaries and other allowances HK$'000	Share-based compensation HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Fees HK$'000	Salaries and other allowances HK$'000	Share-based compensation HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000
Executive directors:										
Lo Yuen Cheong	–	4,106	200	350	18	–	4,471	480	437	18
Lo Yick Cheong	–	2,943	200	260	18	–	3,233	480	150	18
	–	7,049	400	610	36	–	7,704	960	587	36
Non-executive director:										
Chan Wai Ying	–	498	86	72	18	–	480	206	110	18
Independent non-executive directors:										
Leung Wai Tat Henry	174	–	–	–	–	168	–	–	–	–
Lo Man Chi	174	–	–	–	–	168	–	–	–	–
Chau Wai Yung	174	–	–	–	–	168	–	–	–	–
	522	–	–	–	–	504	–	–	–	–
	522	7,547	486	682	54	504	8,184	1,166	697	54

Mr. Lo Yuen Cheong is also the chief executive of the Company, his emoluments disclosed above include those for services rendered by him as the chief executive. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's emoluments and the independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

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

Employees

Of the five individuals with the highest emoluments in the Group, two (2017: two) are directors and the chief executive of the Company whose emoluments are set out above. The emoluments of the remaining three (2017: three) individuals are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other allowances	**3,390**	3,281
Share-based compensation	**239**	346
Discretionary bonus	**706**	1,057
Retirement benefit scheme contributions	**36**	36
	4,371	4,720

The number of the highest paid individuals who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2018 **No. of** **employees**	2017 No. of employees
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**2**	2
	3	3

11. PROFIT FOR THE YEAR

	2018 **HK$'000**	2017 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	**9,291**	10,605
Other staff salaries and other allowances	**49,761**	39,698
Other staff share-based compensation	**674**	975
Other staff retirement benefit scheme contributions	**1,528**	1,296
Total staff costs	**61,254**	52,574
Less: amounts included in cost of services	**(40,718)**	(31,640)
	20,536	20,934
Auditors' remuneration	**1,000**	1,000
Depreciation of property, plant and equipment	**3,373**	1,616
Less: amounts included in cost of services	**(2,443)**	(371)
	930	1,245
Operating lease rentals in respect of land and buildings	**1,218**	1,425
Gross rental income from investment property	**(33)**	(78)
Less: direct expenses incurred	**6**	14
	(27)	(64)

12. DIVIDENDS

A final dividend for the year ended 31 March 2018 of HK3.5 cents (2017: Nil) per ordinary share, totaling approximately HK$14,694,000 based on 419,818,000 shares (2017: Nil) has been proposed by the Board of Directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

	2018 **HK$'000**	2017 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**7,007**	8,529
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**420,131**	416,766

The diluted earnings per share did not assume the effect from the Company's outstanding share options (note 26) as the exercise price of those options was higher than the average market price for shares during the current and prior years.

14. INVESTMENT PROPERTY

	2018 HK$'000	2017 HK$'000
FAIR VALUE		
At 1 April	**2,310**	2,200
Net increase in fair value recognised in profit or loss	**40**	110
Transfer to owner-occupied property (note 15)	**(2,350)**	–
At 31 March	**–**	2,310

On 1 January 2018, with the expiry of the tenancy agreement with a third party and the commencement of owner-occupation, the Group transferred the investment property to owner-occupied property (note 15). The carrying amount and fair value of the property was approximately HK$2,350,000 on the date of transfer. The fair value of this owner-occupied property at the date of transfer (i.e. 1 January 2018) has been arrived at on the basis of a valuation by reference to market evidence of transaction prices for similar properties in the same location and conditions.

The fair value of the Group's investment property at 31 March 2017 had been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited (the "Valuer"), an independent qualified professional valuer not connected with the Group.

The fair value, classified as Level 3 of the fair value hierarchy as at 31 March 2017, was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions.

In estimating the fair value of the property, the highest and best use of the property is their current use.

The investment property was a commercial property unit located in Hong Kong.

For the purpose of measuring deferred tax liability arising from investment property that was measured using the fair value model, the directors of the Company had reviewed the Group's investment property and determined that the presumption to recover the carrying amount of investment property through sale is not rebutted. As a result, the Group did not recognise deferred tax on changes in fair value of investment property (if any) as the Group was not subject to any income taxes on disposal of its investment property.

The following table gives information about how the fair value of the investment property as at 31 March 2017 was determined (in particular, the valuation technique and inputs used), as well as the fair value hierarchy into which the fair value measurement was categorised (level 1 to 3 as set out in note 3) based on the degree to which the inputs to the fair value measurement was observable.

Investment property held by the Group in the consolidated statement of financial position	Valuation technique and fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable input to fair value
Property in Kwai Chung	Direct comparison method, Level 3	Unit sale rate, taking into account the age, location, and individual factor, such as frontage and size, between the comparable properties, from HK$5,800 to HK$6,800 per square feet on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value of the investment property by the same percentage increase, and vice versa.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
COST						
As at 1 April 2016	–	1,139	1,345	5,112	2,402	9,998
Additions	–	475	692	1,605	2,695	5,467
Disposals	–	(216)	–	(694)	–	(910)
As at 31 March 2017	–	1,398	2,037	6,023	5,097	14,555
Transferred from investment property (note 14)	2,350	–	–	–	–	2,350
Additions	–	75	3,033	3,413	4,161	10,682
Disposals	–	–	–	(207)	–	(207)
Written off	–	(14)	(1,137)	–	(324)	(1,475)
As at 31 March 2018	2,350	1,459	3,933	9,229	8,934	25,905
DEPRECIATION						
As at 1 April 2016	–	306	1,172	2,972	515	4,965
Provided for the year	–	237	99	702	578	1,616
Eliminated upon disposals	–	(216)	–	(683)	–	(899)
As at 31 March 2017	–	327	1,271	2,991	1,093	5,682
Provided for the year	20	280	484	1,035	1,554	3,373
Eliminated upon disposals	–	–	–	(161)	–	(161)
Written off	–	(14)	(1,137)	–	(317)	(1,468)
As at 31 March 2018	20	593	618	3,865	2,330	7,426
CARRYING VALUE						
As at 31 March 2018	2,330	866	3,315	5,364	6,604	18,479
As at 31 March 2017	–	1,071	766	3,032	4,004	8,873

The property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual value, as follows:

Leasehold land and building	40 years or over the lease term, whichever is shorter
Leasehold improvements	5 years or over the lease term, whichever is shorter
Plant and machinery	5 years
Motor vehicles	5 years
Office equipment	3 to 5 years

16. HELD-TO-MATURITY INVESTMENT

	2018 HK$'000	2017 HK$'000
Debt instrument, at amortised cost	**3,500**	–

The Group's held-to-maturity investment represents a debt instrument that is issued by a company listed on the Stock Exchange, and carries fixed interest at 6% per annum, payable quarterly, and will mature in October 2019.

17. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	2018 HK$'000	2017 HK$'000
Contracts in progress at the end of the reporting periods:		
Contract costs incurred plus recognised profits less recognised losses	**1,006,403**	1,078,627
Less: progress billings	**(942,116)**	(1,025,955)
	64,287	52,672
Analysed for reporting purposes as:		
Amounts due from customers for contract works	**86,736**	64,153
Amounts due to customers for contract works	**(22,449)**	(11,481)
	64,287	52,672

18. DEBTORS, DEPOSITS AND PREPAYMENTS

	2018 HK$'000	2017 HK$'000
Trade receivables	**33,616**	22,284
Retention receivables	**10,686**	14,512
Other debtors, deposits and prepayments		
— Deposits and prepaid expenses (Note)	**12,619**	11,698
— Others	**1,030**	1,290
	57,951	49,784

Note: As at 31 March 2018, included in deposits and prepaid expenses is (i) a deposit of approximately HK$25,000 (2017: HK$2,465,000) which has been placed and pledged to an insurance institution to secure performance bonds issued by that institution to customers of the Group (note 33); and (ii) a rental deposit of approximately HK$165,000 (2017: HK$162,000) paid to C & P (Holdings) Hong Kong Limited, which is a related company of the Group (note 32).

18. DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

The Group allows credit period up to 60 days to certain customers. The aged analysis of the Group's trade receivables based on certification/invoice date at the end of each reporting period are as follows:

	2018	2017
	HK$'000	HK$'000
Trade receivables:		
0–30 days	**15,089**	21,882
31–60 days	**17,689**	402
Over 60 days	**838**	–
	33,616	22,284

	2018	2017
	HK$'000	HK$'000
Retention receivables:		
Due within one year	**5,707**	10,451
Due after one year	**4,979**	4,061
	10,686	14,512

As at 31 March 2018, included in the Group's trade receivables were debtors with a carrying amount of approximately HK$838,000 (2017: Nil) which was past due but not impaired. As there has not been a significant change in credit quality, the amounts are still considered recoverable.

	2018	2017
	HK$'000	HK$'000
Overdue:		
61–90 days	**838**	–

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history. The Group does not hold any collateral over these balances.

In determining the recoverability of trade and retention receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. No allowance for doubtful debts is required for both years.

19. AMOUNTS DUE FROM (TO) JOINT OPERATIONS/OTHER PARTNERS OF JOINT OPERATIONS

(i) The amounts due from joint operations comprise:

	2018 HK$'000	2017 HK$'000
Trade related (Note a)	**2,939**	6,109
Non-trade related (Note b)	**17,035**	2,334
	19,974	8,443

Notes:

(a) The Group allows a credit period of up to 60 days on amounts due from joint operations. The aged analysis of the Group's trade-related amounts due from joint operations based on certification/invoice date at the end of each reporting period are as follows:

	2018 HK$'000	2017 HK$'000
Amounts due from joint operations:		
0–30 days	**2,939**	2,646
31–60 days	**–**	4
	2,939	2,650
Retention receivables due within one year	**–**	3,459
	2,939	6,109

There is no past due balance as at 31 March 2018 (2017: Nil).

(b) The amounts are unsecured, interest-free and expected to be realised within twelve months from the end of the reporting period.

(ii) The amounts due to other partners of joint operations comprise:

	2018 HK$'000	2017 HK$'000
Trade related (Note a)	**8,756**	5,666
Non-trade related (Note b)	**5,326**	2,000
	14,082	7,666

19. AMOUNTS DUE FROM (TO) JOINT OPERATIONS/OTHER PARTNERS OF JOINT OPERATIONS *(Continued)*

(ii) The amounts due to other partners of joint operations comprise: (Continued)

Notes:

(a) The Group allows a credit period of up to 60 days on amounts due to other partners of joint operations. The aged analysis of the Group's trade-related amounts due to other partners of joint operations based on certification/invoice date at the end of each reporting period is as follows:

	2018	2017
	HK$'000	HK$'000
0–30 days	**336**	3,790
31–60 days	**174**	–
61–90 days	**172**	–
Over 90 days	**8,074**	–
	8,756	3,790
Retention payables due within one year	**–**	1,876
	8,756	5,666

(b) The amounts are unsecured, interest-free and expected to be realised within twelve months from the end of the reporting period.

20. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	2018	2017
	HK$'000	HK$'000
Equity securities listed in Hong Kong (Note a)	**4,416**	5,485
Global fund — unlisted (Note b)	**3,413**	–
	7,829	5,485

Notes:

(a) The fair value of the listed equity securities were determined based on the quoted market prices in an active market.

(b) The fair value of unlisted investment funds was determined by the fund administrator with reference to the net asset value of the investment fund.

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits of the Group are pledged to a bank for securing the performance bond issued by the bank to the Group's customers on behalf of the Group as a guarantee (see note 33).

The bank balances comprise cash held by the Group and other short-term bank deposits with an original maturity of three months or less.

The pledged bank deposits/bank balances carry interest at market rates which are as follows:

	2018	2017
Range of interest rate per annum:		
Pledged bank deposits	**0.5%–3.6%**	1.6%–3.6%
Bank balances and cash	**0.01%–3.70%**	0.01%–3.70%

22. CREDITORS AND ACCRUED CHARGES

	2018 **HK$'000**	2017 HK$'000
Trade payables	**22,337**	27,001
Retention payables	**8,692**	6,674
Other payables and accruals		
Accrued wages	**251**	250
Accrued operating expenses	**282**	15
Other payables	**1,044**	1,065
	32,606	35,005

22. CREDITORS AND ACCRUED CHARGES *(Continued)*

The credit period on trade purchases is 30 to 60 days. The ageing analysis of the Group's trade payables based on invoice date at the end of each reporting period is as follows:

	2018	2017
	HK$'000	HK$'000
Trade payables:		
0–30 days	**7,428**	16,332
31–60 days	**8,789**	8,510
61–90 days	**2,510**	143
Over 90 days	**3,610**	2,016
	22,337	27,001

	2018	2017
	HK$'000	HK$'000
Retention payables:		
Due within one year	**2,790**	3,731
Due after one year	**5,902**	2,943
	8,692	6,674

23. BANK BORROWING

The variable-rate bank borrowing is repayable as follows:

	2018	2017
	HK$'000	HK$'000
Carrying amount repayable (accordingly to scheduled repayment terms):		
Within one year	**1,153**	–
More than one year, but not exceeding two years	**1,176**	–
More than two years, but not exceeding five years	**697**	–
	3,026	–
Carrying amount that contains a repayable on demand clause	**(3,026)**	–
	–	–

The variable-rate borrowing as at 31 March 2018 is secured by corporate guarantee and carries interest at 3% per annum below the Best Lending Rate offered by a bank.

The carrying amount of the Group's borrowing is denominated in HK$.

24. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation HK$'000	Revaluation of property HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2016	450	236	(234)	452
Charge (credit) to profit or loss	391	18	(359)	50
At 31 March 2017	841	254	(593)	502
Charge (credit) to profit or loss	1,267	(254)	(223)	790
At 31 March 2018	2,108	–	(816)	1,292

At the end of the reporting period, the Group has unutilised estimated tax losses of approximately HK$18,326,000 (2017: HK$12,375,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$4,943,000 (2017: HK$3,593,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$13,383,000 (2017: HK$8,782,000) due to the unpredictability of future profit streams. Tax losses of Hong Kong subsidiaries may be carried forward indefinitely. Certain amounts of unused tax losses are subject to approval from the Hong Kong Inland Revenue Department.

25. SHARE CAPITAL

Details of the movement of the share capital of the Company are as follows:

	Number of shares	Amount HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2016, 31 March 2017 and 31 March 2018	200,000,000,000	2,000,000,000
Issued and fully paid:		
At 1 April 2016	415,000,000	4,150,000
Issue of shares upon exercise of share options	5,502,000	55,020
At 31 March 2017	420,502,000	4,205,020
Share repurchased and cancelled	(684,000)	(6,840)
At 31 March 2018	419,818,000	4,198,180

25. SHARE CAPITAL *(Continued)*

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

	No. of ordinary shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$000
Months of repurchase				
July 2017	196,000	0.92	0.88	176
August 2017	488,000	0.89	0.80	410
	684,000			586

The above shares were cancelled upon repurchase. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

26. SHARE-BASED PAYMENT TRANSACTIONS

The Group adopted a share option scheme on 3 June 2015 ("Share Option Scheme"). The purpose of Share Option Scheme is to provide any directors and full-time employees of any members of the Group, have contributed or will contribute to the Group ("Participants") with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

Pursuant to the Share Option Scheme, the directors of the Company may invite Participants to take up options at a price determined by the board of directors provided that it shall be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made by the Company to the grantee (which date must be a business day, "Offer Date"); (b) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Offer Date; and (c) the nominal value of a share of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 41,500,000 shares, representing 10% of the total number of shares in issue as at grant date unless the Company obtains a fresh approval from the shareholders to refresh the limit.

The maximum entitlement for any one Participant is that the total number of the shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless otherwise approved by the shareholders at a general meeting of the Company.

The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which would be determined and notified by the board of directors to the grantee at the time of making an offer.

26. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

On 15 July 2015, the Company offered to grant an aggregate of 25,000,000 share options to certain directors of the Company and employees of the Group. Fair value of these share options was calculated using the binomial model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

Grant date share price	HK$1.1
Exercise price	HK$1.1
Exercisable period	50%: 15 July 2016 to 14 July 2017 50%: 15 July 2017 to 14 January 2018
Expected life	2 to 2.5 years
Expected volatility	56.37% to 59.58%
Dividend yield	2.82% to 2.85%
Risk-free interest rate	0.374% to 0.551%

Expected volatility was determined by using the historical volatility of comparable companies within the industry and listed in Hong Kong.

Dividend yield was determined with reference to historical dividend yields of comparable companies. Risk-free interest rate was determined based on two-year and three-year yields of Hong Kong Government bond curve at grant date.

The table below discloses movement of the Company's share options held by the Group's directors and employees:

	Number of share options
At 31 March 2017	18,374,000
Cancelled during the year (held by the Group's directors)	(8,500,000)
Cancelled during the year (held by the Group's employees)	(9,874,000)
At 31 March 2018	–

The share-based compensation recognised during the year ended 31 March 2018 was approximately HK$1,160,000 (2017: HK$2,141,000).

27. RETIREMENT BENEFIT PLANS

The Group operates a MPF Scheme for its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of 5% of relevant payroll costs monthly to the MPF Scheme, subject to a maximum amount of HK$1,500 for each employee, which contribution is matched by employees. The total contribution to MPF Schemes for the year ended 31 March 2018 amounted to approximately HK$1,582,000 (2017: HK$1,350,000).

28. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting periods, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**1,254**	1,186
In the second to fifth year inclusive	**–**	561
	1,254	1,747

The leases are generally negotiated for lease terms ranging from 1 to 3 years at fixed rentals.

The Group as lessor

Property rental income earned during the year was approximately HK$33,000 (2017: HK$78,000). The Group's investment property was held for rental purpose. The property held had committed tenant for one year.

At the end of the reporting periods, the Group had contracted tenant for the following future minimum lease payments:

	2018	2017
	HK$'000	HK$'000
Within one year	**–**	7

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged throughout both years.

The capital structure of the Group consists of net debt, which includes the borrowing disclosed in note 23, net of cash and cash equivalents and equity, comprising fully paid share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debt and redemption of existing debt.

30. FINANCIAL INSTRUMENTS

30a. Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Held-to-maturity investment	**3,500**	–
Financial assets at FVTPL		
— Held-for-trading investments	**7,829**	5,485
Loans and receivables (including bank balances and cash)	**226,258**	234,786
	237,587	240,271
Financial liabilities		
Amortised cost	**49,181**	42,406

30b. Financial risk management objectives and policies

The Group's major financial instruments include held-to-maturity investment, held-for-trading investments, amounts due from (to) joint operations and other partners of joint operations, debtors and deposits, pledged bank deposits, bank balances and cash, creditors and accrued charges and bank borrowing. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The group entities have foreign currency denominated monetary assets which expose the Group to foreign currency risk. The management of the Group believes the Group does not have significant foreign exchange exposures and will consider the use of foreign exchange forward contracts to reduce the currency exposures in case the foreign exchange exposures become significant.

The carrying amounts of the foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Assets	
	2018 HK$'000	2017 HK$'000
United States Dollar (''USD'')	**2**	176
Renminbi (''RMB'')	**–**	13,291
British Pound (''GBP'')	**3,433**	3,282

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation of RMB and GBP. The management of the Group considers that the Group does not have significant foreign currency exposure in relation to monetary items that are denominated in USD as HK$ is pegged to USD. The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in the group entity's respective functional currency, HK$ against RMB and GBP. 5% (2017: 5%) sensitivity rate is used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rates. A negative number below indicates a decrease in post-tax profit for the year where HK$ strengthen against RMB and GBP. For a 5% (2017: 5%) weakening of HK$ against RMB and GBP, there would be an equal and opposite impact on the post-tax profit for the year, and the balances shown as negative below would be positive.

	Decrease in profit	
	2018	2017
	HK$'000	HK$'000
RMB	**–**	(555)
GBP	**(143)**	(137)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Other price risk

The Group is exposed to equity securities and unlisted investment price risk through its held-for-trading investments at 31 March 2018 and 2017.

The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in banking and infrastructure industries quoted on the Stock Exchange and the unlisted investment fund.

The sensitivity analysis below have been determined based on the exposure to equity price risks at 31 March 2018 and 2017.

If the prices of the respective equity instruments had been 10% (2017: 10%) higher or lower, the post-tax profit for the year ended 31 March 2018 would have increased or decreased by approximately HK$654,000 (2017: HK$458,000) as a result of changes in fair value of held-for-trading investments.

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances, variable-rate pledged bank deposits and variable-rate bank borrowing (see note 23 for details).

The management of the Group considers that the cash flow interest rate risk in relation to bank balances and variable-rate pledged bank deposits is not significant as the fluctuation of the interest rates on bank balances and pledged bank deposits are minimal.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Best Lending Rate arising from the Group's HK$ denominated bank borrowing. A 50 basis point (2017: nil) increase or decrease in Best Lending Rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. As the impact of a 50 basis point fluctuation in Best Lending Rate on the Group's post-tax profit for the year ended 31 March 2018 is insignificant, no sensitivity analysis is presented.

Credit risk

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

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

The Group is exposed to concentration of credit risk as at 31 March 2018 on trade and retention receivables from the Group's major customers amounting to approximately HK$36,423,000 (2017: HK$30,598,000) and accounted for 82% (2017: 83%) of the Group's total trade and retention receivables. The major customers of the Group are The Government of the Hong Kong Special Administrative Region and certain reputable organisations. The management of the Group considers that the credit risk is limited in this regard.

Other than concentration of credit risk on trade and retention receivables and liquid funds, the Group has concentration of credit risk on amounts due from joint operations. As at 31 March 2018, amounts due from joint operations which are trade in nature amounted to approximately HK$2,939,000 (2017: HK$6,109,000). The management of the Group considers that there are no significant credibility problems of the counterparties as they have good historical repayment patterns.

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

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank borrowings, as appropriate.

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

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 March 2018						
Creditors and accrued charges	–	23,381	2,790	5,902	32,073	32,073
Amounts due to other partners of joint operations	–	14,082	–	–	14,082	14,082
Bank borrowing	2.00	3,026	–	–	3,026	3,026
		40,489	2,790	5,902	49,181	49,181

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 March 2017						
Creditors and accrued charges	–	28,066	3,731	2,943	34,740	34,740
Amounts due to other partners of joint operations	–	5,790	1,876	–	7,666	7,666
		33,856	5,607	2,943	42,406	42,406

Bank borrowing with a repayment on demand clause are included in the "repayable on demand or less than 3 months" time band in the above maturity analysis. As at 31 March 2018, the aggregate undiscounted principal amounts of this bank borrowing amounted to approximately HK$3,026,000 (2017: Nil). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowing will be repaid within 3 years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2018					
Bank borrowing					
— variable rates	1,203	1,203	701	3,107	3,026

30. FINANCIAL INSTRUMENTS *(Continued)*

30c. Fair value measurements of financial instruments

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value of the Group's financial asset that is measured at fair value on a recurring basis

Held-for-trading non-derivative financial asset is measured at fair value at 31 March 2018. The following table gives information about how the fair value of this financial asset is determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurement is categorised (levels 1 to 3 as set out in note 3) based on the degree to which the inputs to the fair value measurement is observable.

Financial asset	Fair value as at 31 March 2018	Fair value hierarchy	Valuation technique and key input
Held-for-trading non-derivative financial assets	Listed equity securities in Hong Kong: HK$4,416,000 (2017: HK$5,485,000)	Level 1	Quoted bid prices in an active market
Held-for-trading non-derivative financial assets	Global fund: HK$3,413,000 (2017: Nil)	Level 2	Quoted prices provided by the fund administrator with reference to the net asset value of the investment fund

There is no transfer amongst the different levels of the fair value hierarchy during the year.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowing HK$'000 (Note 23)	Amounts due to other partners of joint operations (non-trade) HK$'000 (Note 19)	Total HK$'000
At 1 April 2017	–	2,000	2,000
Financing cash flows	2,999	3,326	6,325
Interest expenses	27	–	27
At 31 March 2018	3,026	5,326	8,352

32. RELATED PARTY DISCLOSURES

(i) Transactions

The Group had the following transactions with a related party during the year:

Name of related party	Nature of transaction	2018 HK$'000	2017 HK$'000
C & P (Holdings) Hong Kong Limited	Rental expense (Note)	**1,078**	979

Note: C & P (Holdings) Hong Kong Limited is a related company in which a sibling of the director and a shareholder of the Company own its entire interest.

(ii) Balances and other transactions

Details of balances and other transactions with related parties are set out in notes 18 and 19.

(iii) Compensation of key management personnel

The remuneration of executive directors of the Company and other members of key management was as follows:

	2018 HK$'000	2017 HK$'000
Short term benefits	**14,477**	14,704
Post-employment benefits	**108**	108
	14,585	14,812

33. PERFORMANCE BONDS AND CONTINGENT LIABILITY

Certain customers of construction contracts undertaken by the Group require the group entities to issue guarantees for the performance of contract works in the form of performance bonds and secured either by other deposits or pledged bank deposits (see notes 18 and 21). The performance bonds are released when the construction contracts are completed or substantially completed.

At the end of each reporting period, the Group had outstanding performance bonds as follows:

	2018 HK$'000	2017 HK$'000
Issued by the Group's banks	**13,298**	14,117
Issued by an insurance institution	**25**	2,465
	13,323	16,582

34. JOINT OPERATIONS

Particulars of the Group's material joint operations at the end of each reporting period are as follows:

Name of joint operation	Place of establishment and operation	Form of business structure	Equity interest attributable to the Group 2018	2017	Principal activities
Concentric — Hong Kong River	Hong Kong	Unincorporated	**51.00%**	51.00%	Construction and civil engineering
Peako — Wo Hing	Hong Kong	Unincorporated	**70.00%**	70.00%	Construction and civil engineering
Penta Ocean — Concentric	Hong Kong	Unincorporated	**49.00%**	–	Construction and civil engineering

35. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place or incorporation/ operations	Paid up capital	Proportion of ownership interest held by the Company 2018	2017	Proportion of voting power held by the Company 2018	2017	Principal activities
Peako	Hong Kong	Ordinary shares HK$20,680,000	**100%**	100%	**100%**	100%	Construction and civil engineering
Concentric	Hong Kong	Ordinary shares HK$20,680,000	**100%**	100%	**100%**	100%	Construction and civil engineering
Man King Construction Limited	Hong Kong	Ordinary shares HK$100	**100%**	100%	**100%**	100%	Investment holding

None of the subsidiaries had issued any debt securities at the end of the year.

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position

At 31 March 2018

	2018 HK$'000	2017 HK$'000
Non-current asset		
Investments in subsidiaries	–*	–*
Current assets		
Amounts due from subsidiaries (Note)	19,305	5,732
Other receivables	122	163
Bank balances and cash	59,784	75,695
	79,211	81,590
Current liability		
Other payables	278	266
Total assets less current liability/Net assets	78,933	81,324
Capital and reserves		
Share capital	4,198	4,205
Reserves	74,735	77,119
Total equity	78,933	81,324

* Less than HK$1,000

Note: The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The Group expects to realise the amount within 12 months from the end of reporting period.

Movement in the Company's reserves

	Share premium HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2016	80,175	2,059	(8,759)	73,475
Loss for the year	–	–	(4,491)	(4,491)
Issue of shares upon exercise of share options (note 25)	6,881	(884)	–	5,997
Share issue expenses	(3)	–	–	(3)
Share-based compensation (note 26)	–	2,141	–	2,141
At 31 March 2017	87,053	3,316	(13,250)	77,119
Loss for the year	–	–	(2,965)	(2,965)
Share repurchased and cancelled (note 25)	(579)	–	–	(579)
Transfer to retained earnings upon expiry of share options	–	(4,476)	4,476	–
Share-based compensation (note 26)	–	1,160	–	1,160
At 31 March 2018	86,474	–	(11,739)	74,735

FINANCIAL SUMMARY

RESULTS

	2014 HK$'000 (Note)	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Revenue	201,030	260,845	183,279	164,516	**232,157**
Operating profit	48,850	48,660	40,060	10,961	**9,137**
Listing expenses	–	(7,089)	(5,873)	–	**–**
Finance costs	(264)	(203)	(85)	–	**(27)**
Profit before tax	48,586	41,368	34,102	10,961	**9,110**
Income tax expense	(7,876)	(6,383)	(6,900)	(2,432)	**(2,103)**
Profit for the year	40,710	34,985	27,202	8,529	**7,007**
Other comprehensive income	–	–	1,193	–	**–**
Profit and total comprehensive income for the year attributable to owners of the Company	40,710	34,985	28,395	8,529	**7,007**
Earnings per share Basic and diluted (in HK cents)	15.51	12.66	7.05	2.05	**1.67**

FINANCIAL POSITION

	2014 HK$'000 (Note)	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Total assets	204,779	215,456	314,666	328,220	**355,180**
Total liabilities	94,743	73,613	58,044	54,879	**74,258**
Total equity	110,036	141,843	256,622	273,341	**280,922**

Note: The figures for the year ended 31 March 2014 have been extracted from the Company's prospectus dated 19 June 2015.