



KWAN ON HOLDINGS

均安控股

Kwan On Holdings Limited

均安控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8305

ANNUAL REPORT

2 0 1 5

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, for which the directors (the “**Directors**”) of Kwan On Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company’s website at www.kwanonconstruction.com.

CONTENTS

Corporation Information	3
Chairman's Statement	4
Corporate Profile	6
Biographical Details of Directors and Senior Management	7
Management Discussion and Analysis	11
Corporate Governance Report	20
Report of Directors	30
Independent Auditor's Report	42
Consolidated Statement of Comprehensive Income	44
Consolidated Statement of Financial Position	45
Statement of Financial Position	47
Consolidated Statement of Changes in Equity	48
Consolidated Statement of Cash Flows	49
Notes to the Financial Statements	51
Financial Summary	114

CORPORATION INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Yee Tung, Tony (*Managing Director*)
Mr. Kwong Wing Kie
Mr. Chung Chi Ngong

Independent Non-executive Directors

Mr. Ho Ho Ming
Prof. Lam Sing Kwong, Simon
Mr. Chan Chung Kik, Lewis

COMPANY SECRETARY

Mr. Ng Sai Cheong

COMPLIANCE OFFICER

Mr. Kwong Wing Kie

COMPLIANCE ADVISOR

Messis Capital Limited

AUTHORISED REPRESENTATIVES

Mr. Wong Yee Tung, Tony
Mr. Ng Sai Cheong

AUDIT COMMITTEE

Mr. Chan Chung Kik, Lewis (*Chairman*)
Prof. Lam Sing Kwong, Simon
Mr. Ho Ho Ming

REMUNERATION COMMITTEE

Prof. Lam Sing Kwong, Simon (*Chairman*)
Mr. Chan Chung Kik, Lewis
Mr. Wong Yee Tung, Tony

NOMINATION COMMITTEE

Mr. Ho Ho Ming (*Chairman*)
Prof. Lam Sing Kwong, Simon
Mr. Kwong Wing Kie

AUDITORS

BDO Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, So Hong Commercial Building
41, 43, 45 & 47 Jervois Street
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchin Drive
Grand Cayman KY1-1111
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

PRINCIPAL BANKERS

Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited

WEBSITE ADDRESS

www.kwanonconstruction.com

STOCK CODE

8305

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "**Board**") of Kwan On Holdings Limited ("**Kwan On**" or the "**Company**"), I am pleased to present the final results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2015 (the "**Year**").

The Year has been a historic and remarkable one for the Group. On 27 March 2015, Kwan On was listed on the Stock Exchange of Hong Kong Limited. This memorable event, did not only signify the long-standing goodwill that the Group has accumulated for the past 4 decades, but also laid a solid foundation for the Group's developments ahead. It profoundly improves the financial positions of the Group and allows the Company to seek more flexible financing channels, so as to facilitate its expansion toward wide-spectrum construction services.

Benefited from the experienced management team of the Group and extensive project experience in the implementation of waterworks projects, road works and drainage projects, landslip preventive and mitigative projects, site formation works and building works, our Group has established a reputation in the civil engineering and construction professions in Hong Kong.

With an operating history over 30 years, the Group has been renowned by not only the quantity of projects it handled, but also the qualifications recognised by relevant authorities. Since the acquisition of Kwan On Construction Company Limited ("**Kwan On Construction**") in 1993, the Group has undertaken 30 projects. Besides, due to the Group's adherence to the excellence of projects, Kwan On Construction's quarterly performance ratings as appraised by Works Branch of the Development Bureau of the Government ("**WBDB**") were above the industry averages in the recent ten consecutive quarters.

The Group is always committed to pursuing diversified experience and capabilities as Kwan On's long term development strategy. Currently, Kwan On Construction is honored to be recognised by various areas including Group C contractors (confirmed) under the categories of "Waterworks" and "Roads and Drainage" respectively, which are the highest ranking contractors in terms of tender limits. With such qualification, the Company can tender for public works with contracts sum of any value exceeding HK\$185 million. In addition, Kwan On Construction is the Group A contractor (probationary) and Group B contractor (confirmed) under the categories of "Building Works" and "Site Formation Works". Totally, members of the Group hold 13 licenses and certificates granted by WBDB, Building Department and Electrical and Mechanical Services Department, benefiting us to obtain contracts from both the public and private sectors.

During these years, the Group has established stable business relationships for up to nine years with both the five largest materials suppliers and five largest subcontractors respectively. Therefore, the Group not only guarantees the adequate supply of quality materials, but also enables to comprehensively assess the ability and quality of the projects and enjoy the stable subcontracting services.

CHAIRMAN'S STATEMENT

Looking forward, the Company aims to further strengthen its position as a main contractor in the provision of civil engineering services in Hong Kong to achieve sustainable growth in its current businesses.

In view of the upcoming opportunities arising from projects and continuous capital expenditure from The Government of the Hong Kong Special Administrative Region, the Company is confident to diversify its income by tendering for more contracts and secure more project contracts with contract sum of HK\$300 million or above in the near future.

The Company always attaches importance to its talents as a long run personnel strategy. With the expansion of its business scale in the future, the Group plans to recruit additional management, technical personnel and relevant manpower to fulfill the requirements for retaining on the Contractor List and strengthen the quality assurance and safety of the coming projects.

Regarding strengthening the project implementation ability, the Company plans to source and purchase additional equipment and machinery.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all shareholders, subcontractors, suppliers and business partners for their unfailing support and trust to the Group. At the same time, I would like to express my appreciation to the outstanding management team and staff members for their continuous contributions to the Group's business development with their ample experiences and diligence. We feel the weight of responsibility keenly on our shoulders. Driven by the capital market, we will exert our full endeavors to achieve a more fruitful result and create higher returns for our shareholders.

Wong Yee Tung, Tony

Managing Director

26 June 2015

CORPORATE PROFILE

The history of Kwan On Holdings Limited (“**Kwan On**”, with its subsidiaries collectively known as the “Group”) is a main contractor in the provision of waterworks engineering services, road works and drainage services, landslip preventive and mitigation works to slopes and retaining walls services and building works. Since its history began in 1975, the Group has spared no effort in widening the spectrum of professional civil engineering services it provides, in both of the public and the private sectors. Today’s Kwan On and its subsidiaries possess altogether 13 licenses and certificates as an approved contractor for projects by respectively Works Branch of the Development Bureau, Buildings Department, and Electrical and Mechanical Services Department of Hong Kong Special Administrative Region Government and extend to the scope of services to site formation works.

Members of the Group are recognised in various areas including Group C contractors for waterworks engineering services and road works and drainage services respectively. Group C contractors are among the highest ranking contractors in terms of tender limits, and can tender for public works with contracts sum of any value exceeding HK\$185 million. The Group is also one of the Group A contractors for building works and Group B contractors for site formation works.

In recent years, civil engineering projects for Works Branch of the Development Bureau represented a large proportion of the Group’s business and projects for Water Supplies Department, Civil Engineering and Development Department, Architectural Services Department, together with Drainage Services Department constitute very substantial source of income of the Group. In addition, the Group also performs works such as slope stabilisation, upgrading and remedial works for Housing Authority, schools, and private residence.

Kwan On is committed to balanced development. Riding on the Government’s continuous expenditure on civil engineering works in Hong Kong, Kwan On will continue to leverage its long-standing goodwill and different types of licenses held by the Group so as to progressively amplify the economic of scale constituted by an optimising project portfolio and continue to perfect its safety practices.

Being an accomplished main contractor in the territory, Kwan On will strive to set the trusted standards of civil engineering projects and related works in terms of both of service qualities and construction site safety, with a view to building a better community for residents in Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Yee Tung Tony (黃宜通) (“Mr. Wong”), aged 67, was appointed as the Managing Director on 6 December 2012. Mr. Wong is responsible for overseeing the strategic and business development of the Group. Mr. Wong obtained a bachelor’s degree of science in engineering from the Imperial College, University of London in August 1971 and a master’s degree of science in operational research and management studies from the Imperial College, University of London in December 1972. He was admitted as a member of the Hong Kong Institution of Engineers in January 2002 and a member of the Institution of Mechanical Engineers in the United Kingdom in March 2003. He is a Registered Professional Engineer in the mechanical engineering discipline. Mr. Wong has more than 20 years of experience in handling various civil engineering projects.

Mr. Kwong Wing Kie (鄭永基) (“Mr. Kwong”), aged 61, was appointed as an executive Director on 6 December 2012. Mr. Kwong is responsible for overseeing all the civil and building projects of our Group. Mr. Kwong obtained from The University of Hong Kong a bachelor’s degree of science in engineering in November 1976. Mr. Kwong is a registered professional engineer in civil, structural and geotechnical disciplines and also a registered safety officer. Mr. Kwong joined our Group in 1988 as a technical services manager and has been responsible for managing civil engineering contracts. Mr. Kwong has more than 20 years’ of experience in the construction industry.

Mr. Chung Chi Ngong (鍾志昂) (“Mr. Chung”), aged 45, was appointed as an executive Director on 6 December 2012. Mr. Chung is responsible for project management and safety assurance of the Group. Mr. Chung holds a bachelor’s degree of engineering from The Hong Kong University of Science and Technology in November 1998 and a master’s degree of science in construction project management from the University of Greenwich in September 2001. Mr. Chung is a member of The Institution of Engineers, Australia and a member of The Chartered Institute of Building, and a registered safety officer.

Mr. Chung has over 20 years of experience in the construction industry. Prior to joining the Group, Mr. Chung had not worked in other companies. Mr. Chung joined the Group as an engineer in 1990. Mr. Chung was subsequently appointed as safety manager for numerous projects.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ho Ming (何昊銘) (former name: Ho Wing Hang (何榮亨)) (“Mr. Ho”), aged 42, was appointed as an independent non-executive Director on 16 March 2015. Mr. Ho is currently an adjunct professor of the Department of Real Estate and Construction at The University of Hong Kong. In addition, Mr. Ho is an adjunct professor of the School of Accounting and Finance of The Hong Kong Polytechnic University, an honorary institute associate of The Asia-Pacific Institute of Business of The Chinese University of Hong Kong and an external member of the Departmental Advisory Committee on Applied Mathematics at The Hong Kong Polytechnic University.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho has over 16 years of experience in the field of investment banking and credit rating. He was previously employed by Credit Suisse First Boston (Hong Kong) Limited, Merrill Lynch (Asia Pacific) Limited, Bear Stearns Asia Limited, Fitch (Hong Kong) Limited and Universal Credit Rating Group Company Ltd..

Mr. Ho graduated from The Hong Kong University of Science and Technology with a bachelor's degree of business administration in information and systems management in November 1996. He also obtained a master's degree of business administration from the University of Cambridge, the United Kingdom in May 2000.

Mr. Ho is currently an independent non-executive director of KSL Holdings Limited (stock code: 8170) since November 2014, the issued shares of which are listed on GEM of the Stock Exchange.

Professor Lam Sing Kwong, Simon (林誠光) (“Prof. Lam”), aged 56, was appointed as an independent non-executive Director on 16 March 2015. Professor Lam is currently a professor of Management at the Faculty of Business and Economics of The University of Hong Kong. Professor Lam obtained a doctorate degree in commerce from The Faculty of Economics and Commerce at The Australian National University in April 1996. Prof. Lam has published a number of academic papers and case analysis on the topics of corporate strategy, organisation development and operations management. Before joining The University of Hong Kong, Prof. Lam worked as a regional support manager of a bank. He has extensive experience in corporate management, strategic development of organisations and corporate finance.

Prof. Lam is currently an independent non-executive director of Chun Sing Engineering Holdings Limited (stock code: 2277), King Force Security Holdings Limited (stock code: 8315), Glory Flame Holdings Limited (stock code: 8059), Jin Cai Holdings Company Limited (stock code: 1250), Overseas Chinese Town (Asia) Holdings Limited (stock code: 3366) and Sinomax Group Limited (stock code: 1418), the issued shares of which are listed on the Main Board or GEM of the Stock Exchange.

Mr. Chan Chung Kik, Lewis (陳仲戟) (“Mr. Chan”), aged 42, was appointed as an independent non-executive Director on 16 March 2015. He holds a bachelor's degree of commerce in accounting from The University of Canberra, Australia, and is a fellow member of HKICPA and a member of the CPA Australia. He has extensive experience in accounting, finance and corporate management.

Mr. Chan is currently an independent non-executive director of Shandong Xinhua Pharmaceutical Company Limited (stock code: 719), the shares of which are listed on the Main Board of the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Procurement Manager

Mr. Mak Kam Ho (麥錦浩) (“Mr. Mak”), aged 41, joined UEL in January 1996 and is currently the procurement manager of UEL. He has approximately 17 years of experience in the procurement of building materials and plants for civil engineering projects. Mr. Mak obtained a higher certificate in civil engineering from the Vocational Training Council in July 2003 and a bachelor of science degree in civil engineering from Leeds Metropolitan University in June 2012.

Quantity Surveying Manager

Ms. Tai Mei Kiu (戴美嬌) (“Ms. Tai”), aged 38, is currently the Quantity Surveying Manager of Kwan On. She has approximately 10 years of experience in working in constructions companies. She was employed by the Group during the period from July 2001 to June 2004 as a clerk and was then employed by Kenly (H.K.) Limited as assistant contracts manager in June 2004 and later by Noble Crown Development Limited in 2005. In April 2008, Ms. Tai rejoined Kwan On as a quantity surveying manager. Ms. Tai obtained a bachelor of science degree in computing and information systems from University of London in August 2005 and a master of science degree in construction project management from The University of Hong Kong in November 2007.

Project Manager

Dr. Wong Chun Hung (黃俊雄) (“Dr. Wong”), aged 45, joined Kwan On in April 2011 as the senior project manager. He has approximately 5 years of experience in civil engineering and construction. Dr. Wong obtained a bachelor of engineering degree and a doctor of philosophy degree from The University of Hong Kong in November 1993 and December 1998, respectively. Dr. Wong was employed by City University of Hong Kong as a temporary lecturer in the Physics and Materials Science Department from September to December 1998. Prior to joining the Group, from December 1999 to March 2011, Dr. Wong was employed as contracts manager by an engineering company.

Mr. Sit Cheung Yee (薛長義) (“Mr. Sit”), aged 49, joined Kwan On as an assistant project manager in August 2007 and is currently a project manager of Kwan On. Mr. Sit has approximately 13 years of experience in civil engineering and construction. Mr. Sit obtained a bachelor of engineering degree in civil engineering from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in October 1992 and a master of science degree in engineering from The University of Hong Kong in December 1998. Mr. Sit is currently a member of The Hong Kong Institution of Engineers. Mr. Sit was employed by Scott Wilson (Hong Kong) Limited as assistant engineer from August 1992 to September 1994 and as senior assistant engineer from September 1996 to February 1998. From November 1999 to October 2000, Mr. Sit was employed by the WSD as contract engineer (civil) and from April 2001 to February 2002 by Man Wah New Concepts Engineering Limited as a site agent. In February 2002, Mr. Sit joined Hsin Chong Construction Company Limited before leaving as construction manager in November 2003. Subsequently in March 2006, Mr. Sit was employed by Leung Kee Construction Group Limited and joined Kwan On in August 2007.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr Yu Shing On (余成安) (“Mr. Yu”), aged 52, joined Kwan On as a project manager April 2010. Mr Yu has approximately 20 years of experience in civil engineering and construction. Mr. Yu obtained a higher diploma in civil engineering (geotechnology) from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in November 1986 and a bachelor of engineering degree from The University of Sheffield in July 1989. Mr. Yu was admitted as a member of the Hong Kong Institution of Engineers in August 1994 and a member of The Chartered Institute of Arbitrators in May 2011. From May 1991 to September 1997, Mr. Yu was employed by Mott Connell Limited first as assistant engineer and last as resident engineer. From February 1998 to September 1999, Mr. Yu joined China Guangdong Perfect Trump (H.K.) Construction Co. Limited as site agent and from October 1999 to July 2000, he was employed by WSD as contract engineer. From August 2000 to April 2001, Mr. Yu was employed by North Lantau Dredging Limited as site agent and from April 2001 to March 2003 by Hyundai-CCECC Joint Venture as senior engineer. Mr. Yu was employed by Techwell Engineering Limited as quantity surveying manager/project manager from May 2003 to December 2006 and as project manager/contract manager/quantity surveying manager from February 2008 to December 2009.

COMPANY SECRETARY

Mr. Ng Sai Cheong (伍世昌) (“Mr. Ng”), aged 38, was appointed as the financial controller of UEL on 23 August 2012 and the company secretary of our Company on 23 January 2013. He is responsible for the overall financial and company secretarial aspects of the Group. Mr. Ng has 14 years of experience in auditing and accounting. Mr. Ng worked as an audit graduate and semi-senior at an accountancy firm from June 1998 to April 2000 and as an auditor in the audit department of another local accountancy firm from April 2000 to February 2001. Mr. Ng was employed by a global accountancy firm as a staff accountant from February 2001 to September 2002 and as a senior accountant from October 2002 to September 2003. Subsequently, he was employed by a beauty products manufacturer and distributor first as accounting manager and later as assistant financial controller from October 2003 to August 2009. Prior to joining our Group in August 2012, Mr. Ng worked at an infrastructure and civil engineering company from September 2009 to April 2012 and his last held position was chief financial officer.

Mr. Ng graduated from The Hong Kong University of Science and Technology in November 1998 with a bachelor of business administration degree in accounting and obtained a master of corporate governance degree from The Open University of Hong Kong in June 2007. Mr. Ng is an associate of the Hong Kong Institute of Certified Public Accountants and an associate of the Hong Kong Institute of Chartered Secretaries. Mr. Ng has not been a director of any publicly listed company during the three years immediately preceding the date of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Kwan On Holdings Limited and its subsidiaries (collectively, the “**Group**”) is engaged as a main contractor in the provision of (i) waterworks engineering services; (ii) road works and drainage services; (iii) landslip preventive and mitigation works to slopes and retaining walls services (“**LPM Services**”); and (iv) building works in Hong Kong.

Kwan On Construction Company Limited, a member of the Group, is one of the Group C contractors (confirmed) for waterworks engineering services and one of the Group C contractors (confirmed) for road works and drainage services.

BUSINESS REVIEW AND OUTLOOK

The Directors consider that the continued increase in government spending for infrastructure and construction works in Hong Kong had led to a general increase in the demand for civil engineering services and thus providing more business opportunities to the Group.

During the year ended 31 March 2015, most of the works undertaken by the Group were civil engineering projects for the public sector. Revenue generated from contracts granted by the Government represented approximately 99.1% of the total revenue for the year ended 31 March 2015 (2014: approximately 97.7%).

Set out below are the details of the contracts in progress up to 31 March 2015:

Contract number	Customer	Particular of contract	Original/ extended date for completion	Estimated contract sum HK\$ million	Value of works certified HK\$ million	Outstanding contract value HK\$ million
Tendered by Kwan On Construction Company Limited						
GE/2010/21	CEDD	Landslip Prevention and Mitigation Programme, 2008, Packages I and M, Landslip Prevention and Mitigation Works in Wan Chai	23 February 2015 (Note)	168.69	148.37	20.32
6/WSD/11	WSD	Construction of Water Supply System to Housing Development at Anderson Road	16 October 2015	155.11	145.64	9.47
15/WSD/11	WSD	Replacement and Rehabilitation of Water Mains, Stage 4 Phase 2 – Mains on Outlying Islands	5 April 2016	164.47	80.03	84.44
DC/2012/05	DSD	Sewerage at Yuen Long Kau Hui and Shap Pat Heung	12 November 2016	141.82	113.54	28.28
KL/2012/03	CEDD	Kai Tak Development – Stage 4 infrastructure at former north apron area	2 September 2017	830.17	231.06	599.11
GE/2012/11	CEDD	Landslip Prevention and Mitigation Programme, 2009, Package C, Landslip Prevention and Mitigation Works in Lantau and Hei Ling Chau	21 November 2015	87.41	47.92	39.49
GE/2013/06	CEDD	Landslip Prevention and Mitigation Programme, 2008, Package J, Landslip Prevention and Mitigation Works in New Territories	6 July 2015	110.46	73.90	36.56

MANAGEMENT DISCUSSION AND ANALYSIS

Contract number	Customer	Particular of contract	Original/ extended date for completion	Estimated	Value of	Outstanding
				contract sum	works certified	contract value
				HK\$ million	HK\$ million	HK\$ million
GE/2013/17	CEDD	Landslip Prevention and Mitigation Programme, 2008, Package M, Landslip Prevention and Mitigation Works in Lantau North	19 January 2016	75.08	36.29	38.79
20130375	HA	Main Engineering Infrastructure in association with the Proposed Developments at Area 56 in Tung Chung	1 March 2016	40.00	5.56	34.44
GE/2013/16	CEDD	Landslip Prevention and Mitigation Programme, 2008, Package N, Landslip Prevention and Mitigation Works in Sham Wat, Tai O East, Upper Keung Shan and Keung Shan Road East in West Lantau	17 June 2017	192.26	8.09	184.17
Total					890.40	1,075.07

Note: The extended completion date of 23 February 2015 was the date previously agreed with the customer. We had applied to the customer for a further extension of time and such application was being considered by the customer as at the date of this report.

Tendered by the Group's joint venture or joint operations

Contract number	Customer	Particular of contract	Original/ extended date for completion	Estimated	Estimated	Cumulative	Revenue
				total revenue	contract	amount of	expected
				to be	sum	revenue	to be
				received by	to be	recognised by	recognised by
				our Group	our Group	our Group	our Group
				HK\$ million	HK\$ million	HK\$ million	HK\$ million
10/WSD/10	WSD	Replacement and Rehabilitation of Water Mains, Stage 4 Phase 1 – Mains in Shatin and Sai Kung	21 September 2015	276.59	276.59	268.92	7.67
4/WSD/11	WSD	Construction of Butterfly Valley Fresh Water Primary Service Reservoir Extension and Associated Mainlaying	11 May 2017	285.80	145.76	81.05	64.71
9/WSD/13	WSD	Water supply to Pak Shek Kok reclamation area, Tai Po – stage 2 phase 2	17 November 2016	56.18	28.09	14.88	13.21
Total					450.44	364.85	85.59

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 March 2015 amounted to approximately HK\$693.2 million (2014: approximately HK\$393.3 million), represented a surge of approximately 76.3% or approximately HK\$299.9 million as compared to the year ended 31 March 2014.

	Year ended 31 March	
	2015 HK\$'000	2014 HK\$'000
Waterworks engineering	265,811	208,084
Road works and drainage	252,886	107,914
LPM Services	171,503	63,335
Building works	2,950	13,950
	<u>693,150</u>	<u>393,283</u>

The increase in revenue in the waterworks engineering category was mainly due to the increase in revenue contributed from three projects namely, 10/WSD/10, 4/WSD/11 and 9/WSD/13, which contributed approximately HK\$176.8 million to revenue for the year ended 31 March 2015 (2014: approximately HK\$82.9 million), net of decrease in revenue for projects 24/WSD/09 and 6/WSD/11, which contributed approximately HK\$46.1 million to revenue for the year ended 31 March 2015 (2014: approximately HK\$79.8 million) as a result of completion.

The increase in revenue in the road works and drainage category during the year ended 31 March 2015 was mainly due to additional revenue contributed by the project KL/2012/03 awarded in September 2013 with the estimated contract sum of approximately HK\$830.2 million. The project KL/2012/03 has contributed approximately HK\$192.3 million to revenue for the year ended 31 March 2015 (2014: approximately HK\$33.9 million), net of decrease in revenue for project DC/2012/05, which contributed approximately HK\$45.7 million to revenue for the year ended 31 March 2015 (2014: approximately HK\$60.1 million).

The Group has been awarded and has commenced three projects in LPM category in December 2013, namely GE/2012/11, GE/2013/06 and GE/2013/17 and one further project, GE/2013/16, in December 2014. These four projects altogether contributed to revenue of approximately HK\$138.7 million for the year ended 31 March 2015 (2014: approximately HK\$9.7 million). The surge was offset by the decrease in revenue generated from two completed or close-to-completion projects, namely GE/2011/03 and GE/2010/21, which contributed to revenue of approximately HK\$31.8 million for the year ended 31 March 2015 (2014: approximately HK\$50.3 million).

Revenue generated from the building works category for the year ended 31 March 2015 has decreased by approximately 78.9% as compared with the year ended 31 March 2014. The significant drop was mainly due to the substantial completion of two projects in February 2014 and September 2014 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of services

Cost of services increased from approximately HK\$341.7 million for the year ended 31 March 2014 to approximately HK\$640.3 million for the year ended 31 March 2015, representing an increase of approximately 87.4%. The increase was mainly attributable to the increase in subcontracting charges of approximately HK\$251.4 million as a result of increase in works for the contracts, namely KL/2012/03, GE/2012/11, GE/2013/06 and GE/2013/17. Materials costs increased by approximately HK\$19.1 million because of increase in materials used for implementation of project KL/2012/03 and utilisation of inventories brought forward for contracts 24/WSD/09 and 6/WSD/11. Direct staff costs increased by approximately HK\$16.4 million as a result of increase in the number of staff from 421 as at 31 March 2014 to 589 as at 31 March 2015.

Gross profit and gross profit margin

The gross profit margins by categories of works performed are set out below:

	Year ended 31 March	
	2015	2014
Waterworks engineering	3.8%	14.7%
Road works and drainage	10.9%	22.0%
LPM Services	10.5%	-5.0%
Building works	-38.0%	14.9%

The gross profit margin for waterworks engineering category dropped to approximately 3.8% for the year ended 31 March 2015 (2014: approximately 14.7%). The drop in gross profit margin was mainly due to increase in costs incurred, in particular, for 24/WSD/09 and 6/WSD/11. The contract 24/WSD/09 was in maintenance period during the year ended 31 March 2015. Additional costs were incurred for 24/WSD/09 for rectification works and outstanding works. Interim payment certificate will be issued by the customers subject to satisfaction of the works performed and thus the revenue had not been recognised on the ground that interim payment certificate had not yet been received from customers. As such, the Group recorded a gross loss for 24/WSD/09 of approximately HK\$5.1 million. For contract 6/WSD/11, additional subcontracting fees were paid as a result of the additional work performed by the subcontractor in relation to excavation of rock and the revenue had not been recognised as interim payment certificate had not yet been received from customers.

Gross profit margin for road works and drainage decreased to approximately 10.9% for the year ended 31 March 2015 (2014: approximately 22.0%). The higher gross profit margin for the year ended 31 March 2014 was attributable to a reversal of expected loss of approximately HK\$8.8 million for project TK/2008/01.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit margin for LPM Services improved to approximately 10.5% for the year ended 31 March 2015 (2014: approximately -5.0%). The improvement was mainly due to increase in gross profit generated from the four new contracts, namely GE/2012/11, GE/2013/06, GE/2013/17 and GE/2013/16 awarded since late 2013.

Gross profit margin for building works for the year ended 31 March 2015 decreased significantly to approximately -38.0% (2014: approximately 14.9%). The negative gross profit margin recorded for the year ended 31 March 2015 was mainly due to (i) additional subcontracting fee paid for variation orders for maintenance works after completion of main works for a private sector project and (ii) extra costs incurred for additional staff assigned to a demolition projects, namely SD B807. Since these were incurred for building works projects which represented contract costs defined under HKAS 11 "Construction Contract" while revenue had not been recognised on the ground that recoverability was uncertain, the relevant costs had been charged to cost of service for the year ended 31 March 2015.

Other income

Other income for the year ended 31 March 2015 amounted to approximately HK\$2.7 million (2014: approximately HK\$0.9 million). The increase was mainly due to (i) a receipt of approximately HK\$0.2 million from a potential joint venture partner for reimbursement of professional fee incurred for a joint tender; (ii) training subsidy received from the Construction Industry Council of approximately HK\$0.2 million; and (iii) government grant received from Transport Department for ex-gratia payment for retirement of vehicles of approximately HK\$1.3 million.

Administrative expenses

Administrative expenses for the year ended 31 March 2015 amounted to approximately HK\$29.8 million, representing an increase of approximately 45.4% compared to the year ended 31 March 2014. The main reason for the increase was due to (i) increase in staff costs by approximately HK\$2.0 million for salary increment in the year 2015; (ii) increase in listing expenses of approximately HK\$6.0 million; (iii) increase in rental expenses of approximately HK\$0.9 million mainly in relation to leasing of the Group's new head office.

Finance costs

Finance costs for the year ended 31 March 2015 amounted to approximately HK\$2.5 million (2014: approximately HK\$2.8 million). The decrease was mainly due to decrease in use of bank overdrafts for financing which had higher interest rates than other types of bank loans.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

Income tax expense decreased by approximately HK\$3.4 million for the year ended 31 March 2015 and the effective tax rate dropped to approximately 10.1% (2014: approximately 19.7%). The reason for a lower effective tax rate than the statutory tax rate of 16.5% was the result of increase in utilisation of tax loss brought forward to offset against taxable profits generated.

Profit and total comprehensive income

Profit and total comprehensive income for the year ended 31 March 2015 amounted to approximately HK\$21.1 million (2014: approximately HK\$23.6 million). The decrease was mainly attributable to increase in listing expenses incurred for the year ended 31 March 2015.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group as at 31 March 2015 was 1.25 times (2014: 1.0 times). The increase was mainly due to increase in cash and cash equivalents from the net proceeds received from the Listing.

As at 31 March 2015, the Group had net current assets of approximately HK\$58.1 million (2014: approximately HK\$3.5 million), including cash and cash equivalents of approximately HK\$78.8 million (2014: approximately HK\$67.0 million).

The gearing ratio, calculated based on the total debt (including borrowings and finance lease payables) divided by total equity, was approximately 95.5% as at 31 March 2015 (2014: approximately 234.7%).

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM Board of the Stock Exchange on 27 March 2015. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2015, the Company's issued share capital was HK\$9.6 million and the number of ordinary shares issued was 960,000,000 of HK\$0.01 each.

COMMITMENTS

The Group was committed to make future minimum lease payments in respect of properties under non-cancellable operating leases. The Group's operating lease commitments amounted to approximately HK\$5.3 million as at 31 March 2015 (2014: approximately HK\$2.6 million).

As at 31 March 2015, the Group did not have any significant capital commitments (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed in the prospectus of the Company dated 23 March 2015 (the “Prospectus”), the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2015, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies saved for those related to the Group Reorganisation (as defined in Note 3(a) to the consolidated financial statements).

SIGNIFICANT INVESTMENTS

As at 31 March 2015, the Group did not hold any significant investments (2014: Nil).

CONTINGENT LIABILITIES

As at 31 March 2015 and 2014, the Group was involved in certain litigation cases, details of which are set out in Note 37 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The Group was not exposed to foreign exchange risk during the year ended 31 March 2015 (2014: Nil).

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group's credit risk is primarily attributable to trade and retention receivables and deposits with banks. The credit risk of the Group's trade and retention receivables is concentrated since approximately 93% of which was derived from two major customers as at 31 March 2015 (2014: approximately 88%). As the customers of the Group are mainly government departments/organisation, the credit risk is considered to be low. The Group's major bank balances are deposited with banks with good reputation and hence the management does not expect any losses from non-performance by these banks. In relation to the management of liquidity risk, the Group's policy is to regularly monitor the liquidity requirements in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet the liquidity requirements in short and long term.

CHARGE OF GROUP'S ASSETS AND SECURITIES FOR BANKING FACILITIES

As at 31 March 2015, the Group pledged bank deposits of approximately HK\$53.7 million (2014: approximately HK\$24.7 million) as securities for banking facilities.

In addition, the bank loans together with bank overdrafts and other banking facilities are secured by:

- (a) a leasehold land and building held by a related company partially and beneficially owned by Mr. Wong;

MANAGEMENT DISCUSSION AND ANALYSIS

- (b) accrued benefits of a life insurance contract for Mr. Wong which was surrendered on 19 March 2014 and the loan secured by this contract was settled on 25 March 2014;
- (c) proceeds on certain civil engineering contracts undertaken by the Group;
- (d) personal guarantees executed by Mr. Wong and Mr. Kwong and corporate guarantees given by certain entities within the Group;
- (e) guarantees in favour of the Group for an amount of HK\$4,000,000 with risk sharing factor of 80% as at both 31 March 2015 and 2014, under The Special Loan Guarantee Scheme operated by the Hong Kong Government;
- (f) guarantees to the extent of approximately HK\$4,879,000 and HK\$6,800,000 as at 31 March 2015 and 2014 respectively, under The SME Financing Guarantee Scheme operated by the Hong Kong Mortgage Corporation Limited;
- (g) proceeds on certain insurance policy of a civil engineering contract undertaken by the Group;
- (h) a personal guarantee executed by a director of a subsidiary; and
- (i) corporate guarantee executed by a related company.

The relevant banks have agreed in principle that (i) the above personal guarantees and corporate guarantee will be released and replaced by corporate guarantees to be issued by the Company; (ii) guarantees under The Special Loan Guarantee Scheme operated by the Hong Kong Government will be released and repaid in full upon the Listing; and (iii) the leasehold land and building held by a related company will be released and replaced by a cash deposit of approximately HK\$10 million. The Group has requested the relevant banks to proceed and the relevant banks are still in the process of the aforesaid actions up to the date of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2015, the Group employed a total of 609 employees, comprising 273 staff employed on a full-time basis and 336 casual workers. Staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$86.0 million for the year ended 31 March 2015 (2014: approximately HK\$67.6 million). Remuneration of the employees is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

SHARE OPTION SCHEME

The Group has adopted a share option scheme pursuant to which the Company may grant options to individuals including employees, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company and any subsidiary to acquire shares of the Company. The Directors consider that the share option scheme assists in recruiting and retaining high calibre employees.

MANAGEMENT DISCUSSION AND ANALYSIS

LITIGATIONS

The Group has a number of pending litigations and the details are set out in Note 37 to the consolidated financial statements.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

The net proceeds from the Listing in March 2015, after deducting listing related expenses, were approximately HK\$25.9 million. As the Listing date (27 March 2015) is close to the financial year end date (31 March 2015), the Company has not yet utilised the proceeds from the Listing as of 31 March 2015 and there has not yet been material business progress as of 31 March 2015 in respect of the business objectives set out in the Prospectus.

PROSPECT

With the increasing government budget for infrastructure, the outlook for the construction industry in Hong Kong remains optimistic. Going forward, the Group will continue to identify and tender for more rewarding contracts in Hong Kong and to identify opportunities for joint ventures to capture more potential business opportunities.

The shares of the Company were listed on the GEM Board of the Stock Exchange on 27 March 2015. The funds raised from the Listing have laid a solid foundation for the future development of the Group. Looking ahead, the Group will endeavor to strengthen the development of its existing businesses and to provide steady return as well as growth prospects for the Company's shareholders.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The shares of the Company have been successfully listed (the “**Listing**”) on the GEM of the Stock Exchange on 27 March 2015 (the “**Listing Date**”). The board of directors of the Company (the “**Board**”) recognised that the transparency and accountability are important to a listed company. Therefore, the Company is committed to establishing and maintaining good corporate governance practices and procedures. The directors of the Company (the “**Directors**”) believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in return to the benefits of the Company’s stakeholders as a whole.

The Board has adopted and complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”). The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly stringent regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

In the opinion of the Board, the Company has complied with the provisions of the CG Code for the period from the Listing Date to 31 March 2015 except for the deviation from the code provision A.1.8 details of which are set out in the section headed “Board of Directors” in this corporate governance report.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them to the general prohibition on dealing in the Company’s listed securities during the blackout periods before the publication of announcements of financial results of the Group. Having made specific enquiries with the Directors, our Directors have confirmed that they have complied with the required standard of dealings regarding securities transactions by the Directors throughout the period from the Listing Date to 31 March 2015.

BOARD OF DIRECTORS

As at 31 March 2015, the Board comprised six Directors, including three executive Directors, namely Mr. Wong Yee Tung, Tony, Mr. Kwong Wing Kie and Mr. Chung Chi Ngong, and three independent non-executive Directors, namely Mr. Ho Ho Ming, Prof. Lam Sing Kwong, Simon and Mr. Chan Chung Kik, Lewis. Mr. Wong Yee Tung, Tony is the Managing Director.

The overall management of the Company’s business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decisions objectively in the interests of the Company. The Board has the full support from the executive Directors and the senior management of the Company to discharge its responsibilities.

CORPORATE GOVERNANCE REPORT

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s) and senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code and the disclosures in this annual report. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee (as defined under the paragraph headed "Board Committees").

The biographical details of the Directors and other senior management are set out in the section headed with "Biographical Details of Directors and Senior Management" from pages 7 to 10 of this annual report.

Save as disclosed in the section "Biographical Details of the Directors and Senior Management" in this annual report each, of the Board members has no financial, business, family or other material or relevant relationships with each other.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Pursuant to code provision A.2.1 of the CG Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

Since the Company has not appointed a chief executive officer, the roles of the chairman and chief executive officer are not separated and performed by two different individuals. Mr. Wong Yee Tung, Tony is the Managing Director of the Company, who is responsible for the Group's overall development direction and strategies and ensures the Board functions effectively and discharges its responsibilities. As there is no chief executive officer appointed, the daily operations of the Group are delegated to other executive directors and the senior management. The Board is of the view that the current management structure can effectively facilitate the Company's operation and business development.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "**Board Diversity Policy**") from the date of Listing up to the date of this corporate governance report. A summary of this Board Diversity Policy, together with the measureable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

CORPORATE GOVERNANCE REPORT

The Company recognised the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services, all of which the Company considers to be important to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

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

The Nomination Committee will monitor the implementation of the Board Diversity Policy and recommend any proposed changes to the Board for approval. The Nomination Committee will from time to time review the Board Diversity Policy as appropriate to ensure its effectiveness.

The Nomination Committee of the Board has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy from the Listing Date up to 31 March 2015.

ATTENDANCE RECORDS OF MEETINGS

The Board is scheduled to meet regularly at least four times a year, and Directors will receive at least 14 days prior written notice of such meetings in compliance with code provision A.1.1 of the CG Code. Agendas and accompanying papers are sent not less than 3 days before the date of Board meetings to ensure that the Directors are given sufficient time to review the same.

There was no Board meeting held from the Listing Date and up to 31 March 2015. There were neither Audit Committee, Nomination Committee nor Remuneration Committee meeting held from the Listing Date and up to 31 March 2015.

The Company has not convened annual general meeting from the Listing Date and up to 31 March 2015. Pursuant to the articles of association of the Company, the first annual general meeting of the Company following the Listing may be held not more than 18 months after the adoption of the articles of the Company on 16 March 2015 (the "**Articles**").

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc. The Board held meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all the Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service contract with our Company on 16 March 2015 and we have issued letters of appointment to each of our independent non-executive Directors. The service contracts with our executive Directors are for an initial term of three years commencing from the Listing Date. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years commencing from the Listing Date. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Articles and the applicable GEM Listing Rules.

The Articles provide that subject to the manner of retirement by rotation of directors as from time to time prescribed by the GEM Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

The Company has three independent non-executive Directors which complies with Rule 5.05(1) of the GEM Listing Rules. Among the three independent non-executive Directors, Mr. Chan Chung Kik, Lewis has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules. The independent non-executive Directors represent at least one-third of the Board in compliance with Rule 5.05A of the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each of the independent non-executive Directors is required to inform the Company as soon as practicable if there is any change that may affect his independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his independency pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers these independent non-executive Directors to be independent.

Pursuant to articles 84(1) of the Articles, one third of the Directors for the time being will retire from office as Directors and offer themselves for re-election at the next annual general meeting of the Company. In addition, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of the retiring Directors. The term will be commencing from the date of the annual general meeting which approves their re-appointments and ending at the conclusion of the third subsequent annual general meeting of the Company.

According to the provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors and officers. As the Board needs time to consider quotes from different insurers, during the period from the Listing Date to the date of this annual report, the Company did not take out directors and officers liability insurance to cover liabilities arising from legal action against the Directors.

CONTINUOUS PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. All the Directors have received training hosted by the Company's legal advisor which was about, inter alia, the listing rules, Companies Ordinance and Securities and Futures Ordinance.

All the Directors also understand the importance of continuous professional development and are committed to participate any suitable training to develop and refresh their knowledge and skills.

Pursuant to the provision A.6.5 of the CG Code, during the period from the Listing Date to 31 March 2015, all Directors had participated in continuous professional development in the following manner:

Name of Directors	Training provided by the Company's legal advisor prior to the Listing
Executive Directors	
Mr. Wong Yee Tung, Tony	Attended
Mr. Kwong Wing Kie	Attended
Mr. Chung Chi Ngong	Attended
Independent Non-executive Directors	
Mr. Ho Ho Ming	Attended
Prof. Lam Sing Kwong, Simon	Attended
Mr. Chan Chung Kik, Lewis	Attended

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three board committees, namely the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”), with written terms of reference which are available on the websites of the Stock Exchange and the Company.

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

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

AUDIT COMMITTEE

The Company established the Audit Committee on 16 March 2015 with written terms of reference in compliance with the GEM Listing Rules. In accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Ho Ho Ming, Prof. Lam Sing Kwong, Simon and Mr. Chan Chung Kik, Lewis. The chairman of the Audit Committee is Mr. Chan Chung Kik, Lewis, who has appropriate professional qualifications and experience in accounting matters.

The main duties of the Audit Committee are to make recommendations to the Boards on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process and to discuss with the external auditor the nature and scope of the audit. It is also responsible for reviewing: (i) the interim and annual financial statements before submission to the Board and (ii) the Company’s financial control, internal control and risk management systems.

The consolidated financial statements of the Group for the year ended 31 March 2015 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2015 has complied with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made. The Audit Committee had reviewed the Group’s consolidated financial statements for the year ended 31 March 2015.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 31 March 2015.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established on 16 March 2015 comprising one executive Director, namely Mr. Wong and two independent non-executive Directors, namely Prof. Lam Sing Kwong, Simon and Mr. Chan Chung Kik, Lewis. Prof. Lam Sing Kwong, Simon is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of the Stock Exchange.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2015.

NOMINATION COMMITTEE

The Nomination Committee was established on 16 March 2015 comprising one executive Director, namely Mr. Kwong Wing Kie and two independent non-executive Directors, namely Mr. Ho Ho Ming and Prof. Lam Sing Kwong, Simon. Mr. Ho Ho Ming is the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange.

The primary duties of the Nomination Committee are to review and assess the structure, size and diversity of the Board and the independence of the independent non-executive Directors and makes recommendations to the Board on appointment of new directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board. In designing the Board's composition, board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 March 2015 is set out below:

Remuneration band	Number of persons
Less than HK\$500,000	1
HK\$500,001 to HK\$1,000,000	4
HK\$1,000,001 to HK\$1,500,000	1

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Chapter 18 of the GEM Listing Rules are set out in Note 11 to the consolidated financial statements in this annual report.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that gives a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 March 2015, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by external auditor, BDO Limited, about their reporting responsibility on the financial of the Group are set out in the independent auditor's report included in this annual report.

INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholders' investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

BDO Limited was appointed as the external auditor of the Company. For the year ended 31 March 2015, the total fees paid and payable to BDO Limited amounted to approximately HK\$3.2 million, representing fees for statutory audit services and non-audit services for acting as reporting accountant for the Listing of approximately HK\$0.9 million and HK\$2.3 million respectively.

COMPANY SECRETARY

Mr. Ng Sai Cheong ("**Mr. Ng**") is the company secretary of the Company, whose biographical details are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report. Mr. Ng has informed the Company that he has taken more than 15 hours of relevant professional training for the year ended 31 March 2015. The Company considers that the training of the company secretary is in compliance with the requirements under Rule 5.15 of the GEM Listing Rules for the year ended 31 March 2015.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

On 16 March 2015, the Company adopted the amended and restated memorandum and articles of association which became effective on the date of Listing. Save as disclosed above, there had been no significant changes in the constitutional documents of the Company during the year ended 31 March 2015.

SHAREHOLDERS' RIGHTS

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

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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors and welcomes suggestions from investors, shareholders and the public.

Enquiries and concerns to the Board and the Company may be sent by post to the head office and principal place of business of the Company in Hong Kong at 5/F, So Hong Commercial Building, 41, 43, 45 & 47 Jervois Street, Hong Kong, for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

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

- (a) corporate communications such as annual reports, interim reports, quarterly reports and circulars are issued in printed form and are available on the GEM website "www.hkgem.com" and the Company's website at "www.kwanonconstruction.com";
- (b) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (c) corporate information is made available on the Company's website;
- (d) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and
- (e) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

REPORT OF DIRECTORS

The Directors submit their report and the audited financial statements for the year ended 31 March 2015.

GROUP REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 6 December 2012. In preparing for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company undergone the group reorganisation (the "Group Reorganisation") and became the holding company of the companies comprising the Group, upon the Group Reorganisation on 16 March 2015. Details of the Group Reorganisation are as set out in the section headed "History and Development" to the prospectus issued by the Company dated 23 March 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries (together referred to as the "Group") are principally engaged in the provision of construction and maintenance works on civil engineering contracts in respect of buildings, waterworks, site formation, road works and drainage and slope upgrading in Hong Kong. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2015 are set out in the consolidated statement of comprehensive income on page 44 of this annual report.

The Directors do not recommend the payment of dividend for the year ended 31 March 2015 (2014: Nil).

RESERVES

Movements in the reserves of the Group and of the Company during the year ended 31 March 2015 are set out in the consolidated statement of changes in equity and in Note 28 to the consolidated financial statements.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out on page 114 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 16 to the consolidated financial statements.

SHARE ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 March 2015 are set out in Note 27 to the consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme (the “**Scheme**”) of the Company, which is prepared in accordance with Chapter 23 of the GEM Listing Rules was adopted on 16 March 2015. There were no share options granted or agreed to be granted under the Scheme since the date of the adoption to the date of this report.

The following is a summary of the principal terms of the Scheme but it does not form part of, nor was it intended to be part of the Scheme nor should it be taken as affecting the interpretation of the rules of the Scheme:

(a) Purpose of the Scheme

The purpose of the Scheme is to enable the Company to grant options to the employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any Director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board has contributed or may contribute to the Group as incentive or reward for their contribution to the Group.

(b) Maximum number of shares

The maximum number of shares in respect of which options may be granted under the Scheme together with options which may be granted under any other share option schemes for the time being of the Group shall not exceed such number of shares as equals 10% of the issued share capital of the Company at the date of approval of the Scheme, being 960,000,000 shares, unless the Company obtains a fresh approval.

(c) Maximum number of options to any one grantee

Unless approved by the shareholders of the Company, the total number of shares issued and to be issued upon exercise of the options granted to each grantee in any 12-month period must not exceed 1% of the shares in issue.

REPORT OF DIRECTORS

(d) Price of shares

The subscription price for shares under Scheme shall be determined at the discretion of the Directors but will not be less than the highest of:

- (i) The closing price of the shares on the Stock Exchange as shown in the daily quotation sheet of the Stock Exchange on the offer date of the particular option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (“**Business Day**”);
- (ii) The average of the closing prices of the shares shown in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the offer date of that particular option; and
- (iii) The nominal value of a share on the offer date of the particular option.

(e) Time of exercise of option

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but not later than 10 years from the date of grant but subject to the early termination of the Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company from the Listing Date to 31 March 2015.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2015, the Company’s had no reserves available for distribution to the shareholders (2014: Nil) calculated under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The customers of the Group are mainly various departments of the Government. The suppliers of the Group mainly consist construction materials suppliers and subcontractors.

REPORT OF DIRECTORS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier, U-Tech Engineering Company Limited (“ U-Tech ”)	15.2%
– five largest suppliers in aggregate	45.5%
Sales	
– the largest customer	53.5%
– five largest customers in aggregate	99.9%

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

Saved for U-Tech, as disclosed in the section headed “Connected Transactions”, none of the Directors or their associates or any shareholder holding more than 5% of the Company's issued capital had any interest in these major suppliers.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Directors

Mr. Wong Yee Tung, Tony (<i>Managing Director</i>)	(appointed on 6 December 2012)
(“ Mr. Tony Wong ”)	
Mr. Kwong Wing Kie (“ Mr. Kwong ”)	(appointed on 6 December 2012)
Mr. Chung Chi Ngong	(appointed on 6 December 2012)

Independent non-executive Directors

Mr. Ho Ho Ming	(appointed on 16 March 2015)
Prof. Lam Sing Kwong, Simon	(appointed on 16 March 2015)
Mr. Chan Chung Kik, Lewis	(appointed on 16 March 2015)

Pursuant to article 83(3) of the articles of association of the Company (the “**Articles**”), the Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the shareholders of the Company after his appointment and be subject to re-election. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

REPORT OF DIRECTORS

Pursuant to article 84(1) of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of 3), the number nearest to but not less than one-third shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management of the Group are set out on pages 7 to 10 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the month of Listing and will continue thereafter until terminated in accordance with the terms of the contract. Independent non-executive Directors are appointed for a term of three years initially and will continue thereafter unless terminated by either party giving at least three months' notice in writing.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 11 to the consolidated financial statements.

The remuneration committee of the Company will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options to be granted under the Scheme.

INTERESTS IN COMPETING BUSINESS

As at the date of this annual report, none of the Directors nor their respective associates (as defined in the GEM Listing Rules) had interests in businesses, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the GEM Listing Rules.

REPORT OF DIRECTORS

Each of Mr. Wong, Mr. Kwong, Ms. Chiu Gar Man, Mr. Wong Juen Gar Newton, Mr. Wong Ming San Andy, Decade Success Investments Limited, Fortune Decade Investments Limited, Success Ally Investments Limited and Twilight Treasure Limited (the “**Covenators**”) has provided annual confirmations in respect of the compliance with non-competition undertaking (the “**Undertaking**”) given by them.

The independent non-executive Directors have also reviewed the compliance by each of the Covenators with the Undertaking during the period from the Listing Date to 31 March 2015. The independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the Covenators of the Undertaking given by them.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 March 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”)), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO were as follows:

Ordinary shares in the Company

Name	Capacity and nature of interests	Number of shares held (Note 1)	Approximate percentage of shareholding effectively held
Mr. Tony Wong (Notes 1 to 3)	Interest of controlled corporation	720,000,000 (L)	75.00%
Mr. Kwong (Notes 2 and 4)	Interests of controlled corporation	332,028,000 (L)	34.59%

L: Long positions

REPORT OF DIRECTORS

Notes:

1. The issued share capital of the Company is legally and beneficially owned as to approximately 40.41% by Fortune Decade Investments Limited ("**Fortune Decade**") and as to approximately 34.59% by Twilight Treasure Limited ("**Twilight Treasure**").
2. The entire issued share capital of Twilight Treasure is legally and beneficially owned as to 87.5% by Success Ally Investments Limited ("**Success Ally**") and as to 12.5% by Decade Success Investments Limited ("**Decade Success**").
3. The entire issued share capital of Success Ally is legally and beneficially owned by Mr. Tony Wong.
4. The entire issued share capital of Decade Success is legally and beneficially owned by Mr. Kwong.

Saved as disclosed above, none of the Directors and chief executive of the Company had any other interests or short position in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer referred to rule 5.46 of the GEM Listing Rules.

REPORT OF DIRECTORS

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 31 March 2015, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executives.

Ordinary shares in the Company

Name	Capacity and nature of interests	Number of shares held	Approximate percentage of shareholding effectively held
Twilight Treasure (Notes 1 and 2)	Beneficial owner	332,028,000 (L)	34.59%
Success Ally (Notes 2 and 3)	Interest of controlled corporation	332,028,000 (L)	34.59%
Fortune Decade (Notes 1 and 4)	Beneficial owner	387,972,000 (L)	40.41%
Ms. Chiu Gar Man ("Ms. Chiu") (Note 5)	Interests of spouse	720,000,000 (L)	75.00%

L: Long positions

Notes:

1. The issued share capital of our Company is legally and beneficially owned as to approximately 40.41% by Fortune Decade and as to approximately 34.59% by Twilight Treasure.
2. The entire issued share capital of Twilight Treasure is legally and beneficially owned as to 87.5% by Success Ally and as to 12.5% by Decade Success.
3. The entire issued share capital of Success Ally is legally and beneficially owned by Mr. Tony Wong.
4. The entire issued share capital of Fortune Decade is legally and beneficially owned by Mr. Tony Wong.

REPORT OF DIRECTORS

5. Ms. Chiu is deemed to be interested in the 720,000,000 Shares held by Mr. Tony Wong pursuant to the SFO by virtue of her being the spouse of Mr. Tony Wong.

Save as disclosed above, the Directors are not aware of any other persons, other than Directors or the chief executive of the Company who held an interest or short positions in the shares and underlying shares of the Company as at 31 March 2015 which required to be recorded pursuant to Section 336 of SFO.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance advisor, Messis Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 31 July 2014 (the "**Compliance Adviser's Agreement**"), neither the Compliance Adviser nor its directors, employees or associates had any interest in the securities to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to the Compliance Adviser's Agreement, the Compliance Adviser has received and shall receive an annual fee for acting as the Company's retained compliance adviser for the period from 27 March 2015, being the day which the Company's shares are listed on the GEM (the "**Listing Date**") to the date on which the Company's publication of the financial results for the second full financial year commencing after the Listing Date.

CONNECTED TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 March 2015 are set out in Note 30 to the consolidated financial statements. Saved for the rental expense paid to the related companies and parties, which constitute continuing connected transactions and are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Details of the connected transactions are summarised in the paragraph headed "Continuing Connected Transactions" below.

Connected Transactions Exempt from the Circular, Independent Financial Advice and Shareholders' Approval Requirements

On 29 July 2012, Kwan On Construction Company Limited ("**Kwan On**"), a wholly-owned subsidiary of the Company formed an unincorporated joint venture, Kwan On – U-Tech, with U-Tech for the purpose of preparing and submitting the joint tender and subsequent execution of the works relating to the contract 10/WSD/10. U-Tech is regarded as a connected person of the Company by reason of its ability to exercise influence over the affairs of Kwan On – U-Tech.

REPORT OF DIRECTORS

Joint operation formed by Kwan On and U-Tech

On 16 December 2013, Kwan On and U-Tech entered into an agreement pursuant to which Kwan On and U-Tech agreed to share the surplus, loss, assets and liabilities, rights and obligations arising from their cooperation in the project for the contract 9/WSD/13 in equal shares. There is no monetary consideration payable by either party under this agreement and hence no transaction amount has been recorded for this connected transaction.

Subcontracting arrangements

During the year ended 31 March 2015, the following subcontracting arrangements had been entered into between certain members of the Group and U-Tech:

- (1) on 31 January 2013 and 10 August 2013, Kwan On (as main contractor) and U-Tech (as subcontractor) entered into two articles of agreement pursuant to which Kwan On agreed to engage U-Tech as a subcontractor to perform the sewage and associated works at Sai Pin Wai, Yuen Long at approximately HK\$20.5 million and HK\$6.5 million (subject to adjustment) respectively as required under the main contract entered into between Kwan On and DSD for project DC/2012/05. The subcontract sum shall be payable by Kwan On to U-Tech in stages in accordance with the terms of the articles of agreement and based on the value of work done measured (the “**DC/2012/05 Subcontracting Arrangement**”);

The total contract sum under the DC/2012/05 Subcontracting Arrangement was determined based on the tender submitted by Kwan On. The contract sum paid by Kwan On to U-Tech under the DC/2012/05 Subcontracting Arrangement for the year ended 31 March 2015 amounted to approximately HK\$12.0 million.

- (2) on 16 October 2012, Kwan On (as main contractor) and U-Tech (as subcontractor) entered into the articles of agreement pursuant to which Kwan On agreed to engage U-Tech as a subcontractor to perform the pipe laying work at approximately HK\$18.2 million (subject to adjustment) on a back to back basis as required under the main contract entered into between Kwan On and WSD for project 15/WSD/11. The subcontract sum shall be payable by Kwan On to U-Tech in stages in accordance with the terms of the articles of agreement and based on the value of work done measured (the “**15/WSD/11 Subcontracting Arrangement**”);

The total contract sum under the 15/WSD/11 Subcontracting Arrangement was determined based on the tender submitted by Kwan On. The contract sum paid by Kwan On to U-Tech under the 15/WSD/11 Subcontracting Arrangement for the year ended 31 March 2015 amounted to approximately HK\$2.7 million.

REPORT OF DIRECTORS

- (3) on 24 August 2011, Kwan On – U-Tech (as main contractor) and U-Tech (as subcontractor) entered into the articles of agreement pursuant to which Kwan On – U-Tech agreed to engage U-Tech as a subcontractor to perform water mains rehabilitation in Shatin and Sai Kung at approximately HK\$33.8 million (subject to adjustment) on a back to back basis as required under the main contract entered into between Kwan On – U-Tech and WSD for project 10/WSD/10. The subcontract sum shall be payable by Kwan On – U-Tech to U-Tech in stages in accordance with the terms of the articles of agreement and based on the value of work done measured (the “**10/WSD/10 Subcontracting Arrangement**”); and

The total contract sum under the 10/WSD/10 Subcontracting Arrangement was determined based on the schedule of rates agreed by Kwan On – U-Tech and U-Tech by reference to the prevailing market rates. The contract sum paid by Kwan On – U-Tech to U-Tech under the 10/WSD/10 Subcontracting Arrangement for the year ended 31 March 2015 amounted to approximately HK\$6.5 million.

- (4) on 18 September 2013, Kwan On (as main contractor) and U-Tech (as subcontractor) entered into the articles of agreement pursuant to which Kwan On agreed to engage U-Tech as a subcontractor to perform the sub-contract for Box Culvert and pumping station at approximately HK\$70.4 million (subject to adjustment) on a back to back basis as required under the main contract entered into between Kwan On and CEDD for project KL/2012/03. The subcontract sum shall be payable by Kwan On to U-Tech in stages in accordance with the terms of the articles of agreement and based on the value of work done measured (the “**KL/2012/03 Subcontracting Arrangement**”).

The total contract sum under the KL/2012/03 Subcontracting Arrangement was determined based on the tender submitted by Kwan On. The contract sum paid by Kwan On to U-Tech under the KL/2012/03 Subcontracting Arrangement for the year ended 31 March 2015 amounted to approximately HK\$75.0 million.

The Directors, including the independent non-executive Directors, consider that all the continuing connected transactions above are conducted on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole and are in the ordinary and usual course of the business. The Directors, including the independent non-executive Directors, are also of the view that the annual caps of all the exempted continuing connected transactions above are fair and reasonable.

REPORT OF DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

BUSINESS REVIEW

The business review of the Group are set out in the section headed “Management Discussion and Analysis” on pages 11 to 19 of this annual report.

SUBSEQUENT EVENTS

Except for certain litigations taken place subsequent to 31 March 2015 as disclosed in Note 37 to the consolidated financial statements, there are no other significant event which have taken place subsequent to the end of the reporting period.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors or an associated company.

AUDITOR

BDO Limited was the reporting accountant of the Group for the purpose of the listing of the Company’s shares on the GEM Board. BDO Limited was appointed by the Directors as the first auditor of the Company. The consolidated financial statements for the year ended 31 March 2015 have been audited by BDO Limited, who retire, and being eligible, offer themselves for re-appointment.

On behalf of the Board
Wong Yee Tung, Tony
Managing Director

Hong Kong, 26 June 2015

INDEPENDENT AUDITOR'S REPORT



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF KWAN ON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kwan On Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 44 to 113, which comprise the consolidated and company statements of financial position as at 31 March 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2015 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited

Certified Public Accountants

Li Yin Fan

Practising Certificate Number P03113

Hong Kong, 26 June 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	7	693,150	393,283
Cost of services		(640,336)	(341,666)
Gross profit		52,814	51,617
Other income	7	2,735	948
Other gains and losses	7	224	155
Administrative expenses		(29,815)	(20,509)
Operating profit	8	25,958	32,211
Finance costs	10	(2,514)	(2,793)
Profit before income tax expense		23,444	29,418
Income tax expense	12	(2,364)	(5,790)
Profit and total comprehensive income for the year		21,080	23,628
Attributable to:			
Owners of the Company		17,410	20,043
Non-controlling interests	36	3,670	3,585
		21,080	23,628
Earnings per share			
– Basic and diluted (cents)	15	2.07	2.39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment	16	11,753	9,698
Prepayments	20	8,040	5,368
		<u>19,793</u>	<u>15,066</u>
Current assets			
Inventories	18	17,632	12,078
Trade and other receivables	20	130,896	84,326
Tax recoverable		3,268	1,474
Amounts due from shareholders	21	9,492	88
Amounts due from other partners of joint operations	38	241	43
Pledged bank deposits	22	53,689	24,691
Cash and cash equivalents	22	78,781	67,041
		<u>293,999</u>	<u>189,741</u>
Total assets		<u>313,792</u>	<u>204,807</u>
Current liabilities			
Amounts due to customers for contract work	19	23,354	66,733
Trade and other payables	23	138,742	64,530
Amount due to a director	21	–	1,950
Amounts due to related parties	21	–	4,675
Amount due to other partner of a joint operation	38	–	44
Borrowings	24	73,624	41,490
Finance lease payables	25	121	118
Current tax liabilities		38	6,686
		<u>235,879</u>	<u>186,226</u>
Net current assets		<u>58,120</u>	<u>3,515</u>
Total assets less current liabilities		<u>77,913</u>	<u>18,581</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current liabilities			
Finance lease payables	25	115	236
Deferred tax liabilities	26	433	514
		<u>548</u>	<u>750</u>
Total liabilities		<u>236,427</u>	<u>186,976</u>
NET ASSETS			
		<u>77,365</u>	<u>17,831</u>
Capital and Reserves			
Share capital	27	9,600	32,733
Reserves	28	62,082	(19,315)
Equity attributable to owners of the Company		<u>71,682</u>	<u>13,418</u>
Non-controlling interests	36	<u>5,683</u>	<u>4,413</u>
TOTAL EQUITY		<u>77,365</u>	<u>17,831</u>

On behalf of the Board

Mr. Wong Yee Tung, Tony
Director

Mr. Kwong Wing Kie
Director

STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Investments in subsidiaries	17	<u>22,978</u>	–
Current assets			
Amounts due from shareholders	21	9,462	–
Amount due from a subsidiary	17	<u>34,612</u>	–
		<u>44,074</u>	–
Current Liabilities			
Other payables	23	4,629	–
Amounts due to subsidiaries	17	<u>14,650</u>	2,385
		<u>19,279</u>	2,385
Net current assets/(liabilities)		<u>24,795</u>	(2,385)
NET ASSETS/(LIABILITIES)		<u>47,773</u>	(2,385)
Capital and reserves			
Share capital	27	9,600	–
Reserves	28	<u>38,173</u>	(2,385)
TOTAL EQUITY/(DEFICITS)		<u>47,773</u>	(2,385)

On behalf of the Board

Mr. Wong Yee Tung, Tony

Director

Mr. Kwong Wing Kie

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Attributable to owners of the Company						Total	Non-controlling interests	Total
	Share capital	Share premium*	Merger reserve*	Contributed surplus*	Capital reserve*	Accumulated losses*			
	(Note 28(a))	(Note 28(b))	(Note 28(c))	(Note 28(d))	(Note 28(e))				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2013	32,733	-	-	-	5,091	(53,449)	(15,625)	3,228	(12,397)
Profit and total comprehensive income for the year	-	-	-	-	-	20,043	20,043	3,585	23,628
Distribution paid to non-controlling interests	-	-	-	-	-	-	-	(2,400)	(2,400)
Waiver of amounts due to a director who is also a controlling shareholder (Note 21)	-	-	-	-	-	9,000	9,000	-	9,000
As at 31 March 2014 and 1 April 2014	32,733	-	-	-	5,091	(24,406)	13,418	4,413	17,831
Profit and total comprehensive income for the year	-	-	-	-	-	17,410	17,410	3,670	21,080
Arising from group reorganisation (Note 27(b))	(32,733)	-	32,733	-	-	-	-	-	-
Distribution paid to non-controlling interests	-	-	-	-	-	-	-	(2,400)	(2,400)
Issue of shares upon group reorganisation (Note 27(c))	10	-	(22,978)	22,968	-	-	-	-	-
Capitalisation issue of shares (Note 27(d))	8,390	(8,390)	-	-	-	-	-	-	-
Issue of shares by placing (Note 27(e))	1,200	34,800	-	-	-	-	36,000	-	36,000
Share issuance expenses	-	(2,599)	-	-	-	-	(2,599)	-	(2,599)
Reimbursement of listing expenses by certain shareholders (Note 28(d))	-	-	-	-	7,453	-	7,453	-	7,453
As at 31 March 2015	<u>9,600</u>	<u>23,811</u>	<u>9,755</u>	<u>22,968</u>	<u>12,544</u>	<u>(6,996)</u>	<u>71,682</u>	<u>5,683</u>	<u>77,365</u>

* These accounts comprise "Reserves" in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities			
Profit before income tax expense		23,444	29,418
Adjustments for:			
Depreciation of property, plant and equipment	8	4,580	4,108
Finance costs	10	2,514	2,793
Interest income	7	(38)	(86)
Gain on disposal of property, plant and equipment	7	(224)	(155)
Imputed interest on non-current retention receivables	7	(279)	(250)
Charges on an insurance contract		–	107
Write-down of inventories	8	490	1,561
Provision for impairment on retention receivables	8	–	20
Provision for impairment on other receivables	8	–	106
		30,487	37,622
Operating profit before working capital changes			
(Increase)/decrease in inventories		(6,044)	8,525
Increase in trade and other receivables		(48,963)	(29,003)
Increase in trade and other payables		74,090	6,233
Advances to other partners of joint operations		(198)	(43)
(Repayment to)/advance from other partner of a joint operation		(44)	44
(Decrease)/increase in amounts due to customers for contract work		(43,379)	52,479
		5,949	75,857
Cash generated from operations		(10,887)	(2,270)
Income tax paid, net			
		(4,938)	73,587
Net cash (used in)/from operating activities			
Cash flows from investing activities			
Purchases of property, plant and equipment		(6,731)	(4,428)
Proceeds from disposal of property, plant and equipment		320	640
Proceeds from surrender of life insurance investment	34	–	1,100
(Increase)/decrease in pledged bank deposits		(28,998)	7,021
Interest received		38	55
Advances to shareholders		(1,951)	(10)
		(37,322)	4,378
Net cash (used in)/from investing activities			

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Cash flows from financing activities			
Proceeds from bank borrowings		225,382	62,330
Repayment of bank borrowings		(181,248)	(54,606)
Loan from an independent third party		–	12,000
Repayment of loan from an independent third party		(12,000)	–
Proceeds from issue of ordinary shares		36,000	–
Share issuance expenses		(2,599)	–
Advances from directors		–	2,000
Repayment of advances from directors		(1,950)	(4,105)
(Repayment of)/advance from a related party		(3,000)	88
Repayment of advance from a related company		(1,675)	(375)
Repayment of finance lease payables		(118)	(124)
Interest paid		(2,392)	(2,740)
Distribution paid to non-controlling interests		(2,400)	(2,400)
		<u>54,000</u>	<u>12,068</u>
Net cash from financing activities		54,000	12,068
Net increase in cash and cash equivalents		11,740	90,033
Cash and cash equivalents at beginning of year		67,041	(22,992)
Cash and cash equivalents at end of year		78,781	67,041
Represented by:			
Cash and bank balances and short-term deposits	22	132,470	91,732
Less: Pledged bank deposits	22	(53,689)	(24,691)
		<u>78,781</u>	<u>67,041</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

1. GENERAL

Kwan On Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 6 December 2012, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. During the year, in November 2014, the principal place of business was changed from 3E Yiko Industrial Building, 10 Ka Yip Street, Chai Wan, Hong Kong to 5/F., So Hong Commercial Building, 41, 43, 45 and 47 Jervois Street, Hong Kong.

The Company’s shares were listed on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 27 March 2015.

The Company is an investment holding company and its subsidiaries (together referred to as the “**Group**”) are principally engaged in the provision of construction and maintenance works on civil engineering contracts in respect of buildings, waterworks, site formation, road works and drainage and slope upgrading in Hong Kong (the “**Listing Business**”).

In the opinion of the Company’s directors (the “**Directors**”), the Company’s immediate and ultimate holding company is Fortune Decade Investments Limited (“**Fortune Decade**”), a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

(a) Adoption of new/revised HKFRSs – effective on 1 April 2014

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets

The adoption of these amendments has no material impact on the Group’s consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs that have been issued, potentially relevant to the Group’s consolidated financial statements, but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual Improvements 2010 – 2012 Cycle ¹
HKFRSs (Amendments)	Annual Improvements 2011 – 2013 Cycle ²
HKFRSs (Amendments)	Annual Improvements 2012 – 2014 Cycle ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
HKFRS 15	Revenue from Contracts with Customers ⁴
HKFRS 9 (2014)	Financial Instruments ⁵
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to HKAS 1	Presentation of Financial Statements ³

¹ Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs on the financial statements of the Group in the initial application but is not yet in a position to state whether they will have a material impact on the results and the financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

Further information about those new and revised HKFRSs that are expected to have an impact in the Group’s financial statements is as follows:

HKFRS 15 – Revenue from Contracts with Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognise revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

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

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. An entity may adopt HKFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it prospectively from the date of initial application.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 (2014) adds to the existing HKFRS 9. HKFRS 9 (2014) introduces new impairment requirement for all financial assets that are not measured at fair value through profit or loss and amendments to the previously finalised classification and measurement requirements.

A new “expected loss” impairment model in HKFRS 9 (2014) replaces the “incurred loss” model in HKAS 39 Financial Instruments: Recognition and Measurement. For financial assets at amortised cost or fair value through other comprehensive income, an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. For trade receivables, there is a practical expedient to calculate expected credit losses using a provision matrix based on historical loss patterns or customer bases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 (2014) – Financial Instruments (Continued)

HKFRS 9 (2014) also introduces additional application guidance to clarify the requirements for contractual cash flows of a financial asset to give rise to payments that are Solely Payments of Principal and Interest (SPPI), one of the two criteria that need to be met for an asset to be measured at amortised cost, which may result in additional financial assets being measured at amortised cost.

A third measurement category has also been added for debt instruments – fair value through other comprehensive income which applies to debt instruments that meet the SPPI contractual cash flow characteristic test.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

Amendments to HKFRS 11- Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

Amendments to HKAS 1 – Presentation of Financial Statements

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(c) New Companies Ordinance provisions relating to the preparation of financial statements

The amended Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “Listing Rules”) in relation to the presentation and disclosures in the financial statements, including the amendments with reference to the new Companies Ordinance, Cap.622, will first apply to the Company in its financial statements for the year ending 31 March 2016.

The Directors consider that there will be no impact on the Group’s financial position or performance. However the amendments to the Listing Rules would have impacts on the presentation and disclosures in the consolidated financial statements.

3. GROUP REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION

(a) Group reorganisation

Pursuant to a group reorganisation (the “Group **Reorganisation**”) carried out by the Group in preparation for the listing of shares of the Company on the GEM of the Stock Exchange (the “**Listing**”), the Company became the holding company of the subsidiaries now comprising the Group on 16 March 2015. Details of the Group Reorganisation are as set out in the section headed “History and Development” to the Prospectus issued by the Company dated 23 March 2015.

(b) Basis of presentation

The Group Reorganisation involved the combination of a number of entities engaged in the Listing Business that were under common control before and after the Group Reorganisation. The Group is therefore regarded as a continuing entity resulting from the Reorganisation, as there has been a continuation of the risks and benefits to the ultimate controlling parties that existed prior to the Group Reorganisation.

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 March 2015 and 2014 have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout those years, or since their respective dates of incorporation or establishment of the combining companies, or since the date when the combining companies first came under the common control, whichever was shorter. The consolidated statement of financial position of the Group as at 31 March 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group at that date, as if the current group structure had been in existence as at that date. The assets and liabilities of the Group were combined using their carrying values. All significant intra-group transactions and balances have been eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

3. GROUP REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION (CONTINUED)

(c) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Listing Rules.

The consolidated financial statements have been prepared under the historical cost basis.

The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combination and basis of consolidation (Continued)

Other than the common control for which merger accounting method is used, acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Machinery	15% – 25%
Furniture and equipment	20% – 25%
Motor vehicles	25%
Leasehold improvement	38%

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

(e) Financial instruments

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

(i) *Financial assets*

The Group's financial assets are all classified as loans and receivables (including life insurance investment). 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.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary assets. Loans and receivables are initially recognised at fair value plus directly attributable transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) *Impairment loss on financial assets*

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(ii) *Impairment loss on financial assets (Continued)*

- significant financial difficulty of the debtor or the group of debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the debtor or the group of debtors will enter bankruptcy or other financial reorganisation.

For certain categories of financial assets 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 past the general credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined to be uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

(iii) *Financial liabilities*

Financial liabilities include trade and other payables, amount due to a director and related parties, and borrowings. They are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instruments*

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

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(vi) Derecognition (Continued)

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(vii) Offsetting of financial instruments

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

(f) Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are charged to the profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(g) Employee benefits

(i) Defined contribution retirement plan

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Employee benefits (Continued)

(ii) Short-term employee benefits

Short-term employee benefits are recognised when they accrue to employees. In particular, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(h) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments to the extent that it is probable that they will result in revenue, and they are capable of being reliably measured. Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise site labour costs (including site supervision); costs of subcontracting; costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

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

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Construction contracts (Continued)

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

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

(i) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “**functional currency**”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

(j) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Revenue from construction contracts is recognised based on the percentage of completion. The percentage of completion is determined using methods that measure reliably the work performed. The methods used include reference to surveys of work performed or the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs (Note 4(h)).

Interest income is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of assets (other than inventories and financial assets) to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset 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 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(n) Cash and cash equivalents

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

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

(o) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint venture: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operation: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangement structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group's joint arrangements are classified as joint operations under HKFRS 11 taking into account the relevant joint arrangement agreements that specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements.

The Group accounts for its interests in the joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

(q) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements other than estimates

(i) *Consolidation of Kwan On – U-Tech Joint Venture 1 (“Kwan On – U-Tech 1”)*

The Group formed a legal joint venture, Kwan On – U-Tech 1, with an independent third party namely U-Tech Engineering Co. Ltd. (“**U-Tech**”), for the purpose of execution of a contract. The Group can appoint the majority of the board of directors of Kwan On – U-Tech 1 and thus direct its relevant activities. The Group shares 70% of the profits or losses of Kwan On – U-Tech 1. The Directors have therefore determined the Group has control over Kwan On – U-Tech 1 and the Group’s financial statements have consolidated the result of Kwan On – U-Tech 1.

(ii) *Joint operations*

The Group formed two unincorporated joint ventures, Kwan On – U-Tech Joint Venture 2 (“**Kwan On – U-Tech 2**”) and Kwan On – China Geo Joint Venture (“**Kwan On – China Geo**”), with two independent third parties namely U-Tech and China Geo-Engineering Corporation (“**China Geo**”) respectively, for the purpose of execution of contracts.

The Group and U-Tech jointly control over the relevant activities of Kwan On – U-Tech 2. Under the joint venture agreement, the Group and U-Tech each has a participation share of 50% to the surplus, loss, assets, liabilities, rights and obligations arising out of or in connection with the contract in Kwan On – U-Tech 2. Therefore, the Directors have determined that the joint arrangement is a joint operation.

The Group and China Geo jointly control over the relevant activities of Kwan On – China Geo. Under the joint venture agreement, the Group and China Geo have participation share of 51% and 49% respectively to the surplus, loss, assets, liabilities, rights and obligations arising out of or in connection with the contract in Kwan On – China Geo. Therefore, the Directors have determined that the joint arrangement is a joint operation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimates and assumptions

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, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) *Construction contract revenue recognition*

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) *Impairment of non-financial assets*

The Group assesses at the end of each reporting period whether non-financial assets suffered any impairment in accordance with accounting policy stated in Note 4(m). The non-financial assets are reviewed for the impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The determination of recoverable amount requires an estimation of future cash flows and the selection of appropriate discount rates. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

(iii) *Impairment of trade and other receivables*

The Group estimates impairment losses of trade and other receivables resulting from the inability of the customers and other debtors to make the required payments in accordance with accounting policy stated in Note 4(e)(ii). The Group bases the estimates on the ageing of the receivable balances, debtors' creditworthiness and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimates and assumptions (Continued)

(iv) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable profit against which the deferred tax assets can be utilised, which involves a number of assumptions and estimates relating to the operating environment of the Group and requires a significant level of judgement exercised by management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the profit in future periods.

6. SEGMENT INFORMATION

Operating segments

The Group was principally engaged in the provision of construction and maintenance works on civil engineering contracts in respect of buildings, waterworks, site formation, road works and drainage and slope upgrading in Hong Kong. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

All of the Group's revenue was derived from Hong Kong, based on the location of the customers, and all of its non-current assets were located in Hong Kong, based on the location of assets. Therefore, no geographical information is presented.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2015 HK\$'000	2014 HK\$'000
The Government of the Hong Kong Special Administrative Region (The "Hong Kong Government"):		
– Water Supplies Department	265,811	208,084
– Civil Engineering and Development Department	370,938	105,110
– Drainage Services Department	*	62,761
	<u>636,749</u>	<u>375,955</u>

* Less than 10% of the Group's revenue

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

7. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

The Group's revenue represents amount received and receivable from contract work performed and recognised in accordance with accounting policy set out in Note 4(j) above during the year, which is also the Group's turnover, being revenue generated from its principal activities.

An analysis of the Group's other income and other gains and losses recognised during the year is as follows:

	2015 HK\$'000	2014 HK\$'000
Other income		
Bank interest income	38	55
Interest income from life insurance investment	–	31
Income from sale of scrap materials	97	–
Imputed interest on non-current retention receivables	279	250
Refund from insurance claims	91	218
Ex-gratia payment from the government for retirement of motor vehicles	1,343	–
Sundry income	887	394
	<u>2,735</u>	<u>948</u>
Other gains and losses		
Gain on disposal of property, plant and equipment	224	155
	<u>224</u>	<u>155</u>

8. OPERATING PROFIT

The Group's operating profit is arrived at after charging:

	2015 HK\$'000	2014 HK\$'000
Auditors' remuneration	858	193
Depreciation	4,580	4,108
Operating lease rentals in respect of:		
– Land and buildings	3,028	2,244
– Plant and equipment	1,063	1,112
Provision for impairment on other receivables	–	106
Write-down of inventories	490	1,561
Provision for impairment on retention receivables	–	20
Employee salaries and benefit (Note 9)	85,958	67,594
	<u>85,958</u>	<u>67,594</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

9. EMPLOYEE SALARIES AND BENEFIT, INCLUDING DIRECTORS' REMUNERATION

	2015 HK\$'000	2014 HK\$'000
Wages, salaries and other benefits	82,721	64,927
Post-employment benefits – defined contribution retirement plan contributions	3,237	2,667
	<u>85,958</u>	<u>67,594</u>

10. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest on finance leases	9	13
Interest on bank overdrafts	42	1,173
Interest on bank loans wholly repayable within five years	2,341	1,554
Imputed interest expense on non-current retention payables	122	53
	<u>2,514</u>	<u>2,793</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' remuneration

Directors' remuneration for the year is as follows:

	Fees HK\$'000	Salaries and benefits HK\$'000	Post-employ- ment benefits- defined contribution retirement plan contributions HK\$'000	Total HK\$'000
Year ended 31 March 2015				
Executive directors:				
Mr. Wong Yee Tung, Tony ("Mr. Tony Wong")	–	1,560	–	1,560
Mr. Kwong Wing Kie ("Mr. Kwong")	–	1,283	17	1,300
Mr. Chung Chi Ngong	–	924	46	970
	–	3,767	63	3,830
Independent Non-executive directors:				
Mr. Lam Sing Kwong, Simon	2	–	–	2
Mr. Ho Ho Ming	2	–	–	2
Mr. Chan Chung Kik, Lewis	2	–	–	2
	6	–	–	6
Total	6	3,767	63	3,836

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(i) Directors' remuneration (Continued)

	Fees HK\$'000	Salaries and benefits HK\$'000	Post-employ- ment benefits- defined contribution retirement plan contributions HK\$'000	Total HK\$'000
Year ended 31 March 2014				
Executive directors:				
Mr. Tony Wong	–	1,559	–	1,559
Mr. Kwong	–	985	15	1,000
Mr. Chung Chi Ngong	–	898	45	943
	–	3,442	60	3,502
Independent Non-executive directors:				
Mr. Lam Sing Kwong, Simon	–	–	–	–
Mr. Ho Ho Ming	–	–	–	–
Mr. Chan Chung Kik, Lewis	–	–	–	–
	–	–	–	–
Total	–	3,442	60	3,502

During the current and prior years, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(ii) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group included 3 executive directors of the Company for each of the years ended 31 March 2015 and 2014, whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	2015	2014
	HK\$'000	HK\$'000
Basic salaries, bonuses and other allowances	2,001	1,710
Post-employment benefits – defined contribution retirement plan contributions	35	30
	2,036	1,740

Their remuneration fell within the following bands:

	2015	2014
	No. of employees	No. of employees
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$ 2,000,000	1	–

During the current and prior years, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(iii) Senior management's emoluments

The emoluments paid or payable to members of senior management were within the following bands:

	Number of employees	
	2015	2014
Nil to HK\$1,000,000	5	6
HK\$1,000,001 to HK\$2,000,000	1	–
	6	6

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

12. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of comprehensive income represents:

	2015 HK\$'000	2014 HK\$'000
Current tax – Hong Kong profits tax		
– tax for the year	2,445	6,360
Deferred tax (Note 26)	(81)	(570)
Income tax expense	<u>2,364</u>	<u>5,790</u>

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits during the year.

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

	2015 HK\$'000	2014 HK\$'000
Profit before income tax expense	<u>23,444</u>	<u>29,418</u>
Tax calculated at the applicable statutory tax rate of 16.5%	3,868	4,854
Income not subject to tax	(6)	(14)
Expense not deductible for tax purpose	2,170	810
Tax effect of tax losses not recognised	1,168	273
Utilisation of tax losses previously not recognised	(3,209)	(783)
Others	(1,627)	650
Income tax expense at the effective tax rate	<u>2,364</u>	<u>5,790</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

12. INCOME TAX EXPENSE (CONTINUED)

The Group may be subject to a potential Section 82A penalty up to treble the amount of the tax undercharged due to the understatement of assessable profits in filing the profits tax return for the year of assessment 2011/12 by a subsidiary of the Group. The estimated maximum Section 82A penalty is approximately HK\$2,582,000 derived by treble the amount of tax undercharged of approximately HK\$861,000 based on the estimated assessment issued by the Inland Revenue Department (“IRD”). The tax payable of approximately HK\$861,000 was settled by the Group for the year ended 31 March 2014. As at 31 March 2015, the Group has not received any penalty notice from the IRD. The management, based on the tax advisor’s opinion, considered that the penalty may not be imposed and such amount could not be ascertained and therefore, the Group has not made any provision for the Section 82A penalty.

A subsidiary of the Group filed revised tax computations for the years of assessment of 2010/11 and 2011/12 to claim for the reduction of assessable profits for the aforesaid years of assessment. Should the Group fail to claim the reduction of assessable profits successfully for the aforesaid years of assessment, the Group may be subject to additional tax liabilities of approximately HK\$681,000. As at 31 March 2015, the Group has not received any queries from the IRD. The management considered that the revised tax computations for the aforesaid years of assessment are reasonable and the additional tax liabilities are subject to the assessment on the revised tax computations by IRD and may not be incurred. Therefore, the Group has not made any provision for such additional tax liabilities.

13. DIVIDENDS

No dividend was paid and proposed during the year, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a loss of the Company of approximately HK\$13,674,000 (2014: loss of approximately HK\$32,000) which has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	2015	2014
	HK\$'000	HK\$'000
<hr/>		
Earnings		
Profit attributable to owners of the Company	17,410	20,043
	<hr/> <hr/>	<hr/> <hr/>
Number of shares		
	2015	2014
	'000	'000
<hr/>		
Number of shares		
Weighted average number of ordinary shares (Note)	841,644	840,000
	<hr/> <hr/>	<hr/> <hr/>

Note:

Weighted average of 840,000,000 ordinary shares for the year ended 31 March 2014, being the number of shares in issue immediately after the completion of capitalisation issue of shares as detailed in Note 27(d), are deemed to have been issued throughout the year ended 31 March 2014 and up to 26 March 2015, immediately before the completion of the placing of shares during the year ended 31 March 2015.

Weighted average of approximately 841,644,000 ordinary shares for the year ended 31 March 2015, is calculated based on the weighted average of approximately 1,644,000 ordinary shares issued immediately after the completion of the placing of shares during the year ended 31 March 2015 in addition to the aforementioned 840,000,000 ordinary shares for the year ended 31 March 2014.

Diluted earnings per share was the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the years ended 31 March 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

16. PROPERTY, PLANT AND EQUIPMENT

	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvement HK\$'000	Total HK\$'000
Cost					
At 1 April 2013	15,468	4,782	11,901	–	32,151
Additions	353	993	3,082	–	4,428
Disposals	(1,003)	–	(956)	–	(1,959)
At 31 March 2014 and 1 April 2014	14,818	5,775	14,027	–	34,620
Additions	2,450	315	2,863	1,103	6,731
Disposals	(280)	–	(1,514)	–	(1,794)
At 31 March 2015	16,988	6,090	15,376	1,103	39,557
Accumulated depreciation					
At 1 April 2013	12,970	1,458	7,860	–	22,288
Provided for the year	1,261	997	1,850	–	4,108
Eliminated on disposals	(527)	–	(947)	–	(1,474)
At 31 March 2014 and 1 April 2014	13,704	2,455	8,763	–	24,922
Provided for the year	827	1,133	2,482	138	4,580
Eliminated on disposals	(280)	–	(1,418)	–	(1,698)
At 31 March 2015	14,251	3,588	9,827	138	27,804
Net book value					
At 31 March 2015	2,737	2,502	5,549	965	11,753
At 31 March 2014	1,114	3,320	5,264	–	9,698

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net carrying amount of property, plant and equipment includes the following assets held under finance leases (Note 25).

	2015	2014
	HK\$'000	HK\$'000
Motor vehicles	184	331
	184	331

17. INTERESTS IN SUBSIDIARIES

	Company	
	2015	2014
	HK\$'000	HK\$'000
Investment in a subsidiary:		
Unlisted shares, at cost	22,978	–
	22,978	–
Amount due from a subsidiary	34,612	–
	34,612	–
Amounts due to subsidiaries	(14,650)	(2,385)
	(14,650)	(2,385)

The amounts due from/(to) subsidiaries of the Company are unsecured, interest-free and repayable on demand.

The particulars of the Company's subsidiaries as at 31 March 2015 are set out as follows:

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct	Indirect		
Win Vision Holdings Limited ("Win Vision")	British Virgin Islands (the "BVI"), 10 August 2012, limited liability company	100%	–	US\$10,000 divided into 10,000 shares of US\$1 each	Investment holding, Hong Kong

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

17. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct	Indirect		
Kwan On Construction Company Limited ("Kwan On")	Hong Kong, 28 May 1991, limited liability company	–	100%	HK\$24,850,000 divided into 24,850,000 shares of HK\$1 each	Civil engineering construction, Hong Kong
Univic Engineering Limited ("UEL")	Hong Kong, 23 April 1980, limited liability company	–	100%	HK\$6,300,200 divided into 63,002 shares of HK\$100 each	Provision of contracting work on civil plumbing, fire protection, insulation, concrete repairs and related activities, Hong Kong
Univic Engineering & Construction Limited (Formerly Univic International Limited)	Hong Kong, 9 September, 1975, limited liability company	–	100%	HK\$1,403,500 divided into 1,403,500 shares of HK\$1 each	Provision of civil, plumbing and fire protection engineering contract services, Hong Kong
Univic Earthworks Limited	Hong Kong, 30 May 2003, limited liability company	–	100%	HK\$90,000 divided into 90,000 shares of HK\$1 each	Provision of civil and plumbing engineering contract services, Hong Kong
Univic Building Contractors Limited	Hong Kong, 13 July 1993, limited liability company	–	100%	HK\$10,000 divided into 10,000 shares of HK\$1 each	Provision of construction site workmen services, Hong Kong
Univic Construction Resources Limited ("UCRL")	Hong Kong, 25 June 1992, limited liability company	–	100%	HK\$999 divided into 999 shares of HK\$1 each	Provision of construction site workmen services, Hong Kong

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

17. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct	Indirect		
Univic Fireproofing & Construction Limited (Formerly Univic Fire Protection Materials Limited) ("UFCL")	Hong Kong 23 April 1980, limited liability company	-	100%	HK\$2 divided into 2 shares of HK\$1 each	Trading of diesel and provision of construction site workmen services, Hong Kong
Kwan On – U – Tech 1 *	Hong Kong, 29 July 2011, unincorporated entity	-	70%	Not applicable	Civil engineering construction, Hong Kong

* The entity is an unincorporated joint venture formed between Kwan On and an independent third party and is accounted for as a subsidiary by virtue of the Group's control over it.

18. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Construction materials	17,233	5,327
Contract work in progress	399	6,751
	<u>17,632</u>	<u>12,078</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

19. AMOUNTS DUE TO CUSTOMERS FOR CONTRACT WORK

	2015 HK\$'000	2014 HK\$'000
Contracts in progress at the end of the year:		
Contract costs incurred	1,637,270	1,252,851
Recognised profits less recognised losses	185,997	114,865
	<u>1,823,267</u>	<u>1,367,716</u>
Less: progress billings	(1,846,621)	(1,434,449)
	<u>(23,354)</u>	<u>(66,733)</u>
Represented by:		
Amounts due to customers for contract work	<u>(23,354)</u>	<u>(66,733)</u>

As at 31 March 2015, retentions held by customers for contract work included in trade and other receivables (Note 20) amounted to approximately HK\$15,743,000 (2014: HK\$11,100,000).

20. TRADE AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables (Note (a))	91,427	49,663
Retention receivables (Note (b) and Note 19)	15,743	11,100
Other receivables (Note (c))	8,014	9,667
Prepayments and deposits	23,752	19,264
	<u>138,936</u>	<u>89,694</u>
Less: Prepayments classified under non-current assets (Note (d))	(8,040)	(5,368)
	<u>130,896</u>	<u>84,326</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (a) Trade receivables were mainly derived from provision of construction work on civil engineering contracts, and are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

The Group grants an average credit period of 21 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

The Group had a concentration of credit risk as majority of the Group's trade receivables were due from the Group's largest customer and the five largest customers as detailed below.

	2015	2014
	HK\$'000	HK\$'000
Largest customer	59,920	17,577
Five largest customers	91,372	49,252

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	2015	2014
	HK\$'000	HK\$'000
Less than 1 month	66,345	39,938
1 to 3 months	25,040	9,715
More than 3 months but less than one year	42	10
	91,427	49,663

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) (Continued)

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

	2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired	66,345	39,938
Less than 1 month past due	25,027	9,641
1 to 3 months past due	13	74
More than 3 months past due but less than 12 months past due	42	10
	<u>91,427</u>	<u>49,663</u>

Trade receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, management is of the opinion that no provision for impairment is necessary in respect of these receivables as the Group's customers are mainly government departments of which the credit risk is minimal.

(b)

	2015 HK\$'000	2014 HK\$'000
Retention receivables	15,763	11,120
Less: provision for impairment on retention receivables	(20)	(20)
	<u>15,743</u>	<u>11,100</u>

Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) (Continued)

The below table reconciled the impairment loss of retention receivables for the current and prior years:

	HK\$'000
At 1 April 2013	–
Impairment loss recognised	20
At 31 March 2014, 1 April 2014 and 31 March 2015	<u>20</u>

Included in the above provision for impairment of retention receivables is a provision for individually impaired retention receivables of approximately HK\$20,000 as at 31 March 2015 and 2014 with a carrying amount of approximately HK\$20,000 as at 31 March 2015 and 2014.

Other than the above impaired retention receivables, the balances of retention receivables as at 31 March 2015 and 2014 were neither past due nor impaired. They are related to customers for whom there was no recent history of default.

(c) Movement in provision for impairment of other receivables is as follows:

	HK\$'000
At 1 April 2013	989
Impairment loss recognised	106
At 31 March 2014, 1 April 2014 and 31 March 2015	<u>1,095</u>

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of approximately HK\$1,095,000 as at 31 March 2015 and 2014 with a carrying amount of approximately HK\$1,095,000 as at 31 March 2015 and 2014.

Other than the aforementioned impaired other receivables, the remaining balances of other receivables as at 31 March 2015 and 2014 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and related to receivables for which there was no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) The balance represents prepaid insurance expenses for construction contracts that are expected to be amortised after twelve months from the end of the reporting period. Accordingly, the amount was classified under non-current assets at 31 March 2015 and 2014.

21. AMOUNTS DUE FROM/(TO) SHAREHOLDERS, A DIRECTOR AND RELATED PARTIES

Particulars of the amounts due from shareholders are as follows:

	Group Maximum amount			Company Maximum amount		
	Balance at 1 April 2013 HK\$'000	outstanding during the year HK\$'000	Balance at 31 March 2014 HK\$'000	Balance at 1 April 2014 HK\$'000	outstanding during the year HK\$'000	Balance at 31 March 2015 HK\$'000
Shareholders						
Twilight Treasure Limited	78	83	83	-	-	-
Fortune Decade	-	5	5	-	-	-
	<u>78</u>	<u>88</u>	<u>88</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Group Maximum amount			Company Maximum amount		
	Balance at 1 April 2014 HK\$'000	outstanding during the year HK\$'000	Balance at 31 March 2015 HK\$'000	Balance at 1 April 2014 HK\$'000	outstanding during the year HK\$'000	Balance at 31 March 2015 HK\$'000
Shareholders						
Twilight Treasure Limited	83	4,751	4,751	-	4,731	4,731
Fortune Decade	5	4,741	4,741	-	4,731	4,731
	<u>88</u>	<u>9,492</u>	<u>9,492</u>	<u>-</u>	<u>9,462</u>	<u>9,462</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

21. AMOUNTS DUE FROM/(TO) SHAREHOLDERS, A DIRECTOR AND RELATED PARTIES (CONTINUED)

An analysis of the amounts due to a director and related parties is as follows:

	2015 HK\$'000	2014 HK\$'000
Current		
Director		
Mr. Tony Wong	–	1,950
Related parties		
Ms. Chiu Gar Man (“ Ms. Chiu ”)	–	3,000
Shiu Mau Development Limited	–	1,675
	–	4,675

Mr. Tony Wong is a director of Shiu Mau Development Limited, which is also partially and beneficially owned by Mr. Tony Wong.

Ms. Chiu is a spouse of Mr. Tony Wong.

Twilight Treasure Limited is a shareholder of the Company, which is beneficially owned by Mr. Kwong and Mr. Tony Wong.

Fortune Decade is the Company's immediate and ultimate holding company, which is wholly and beneficially owned by Mr. Tony Wong.

The amounts due from and to the shareholders, a director and related parties are unsecured, interest-free and have no fixed terms of repayment. Pursuant to two deeds of waiver agreements dated 30 September 2013, an aggregate amount of HK\$9,000,000 due to a director who was also a controlling shareholder, Mr. Tony Wong, was waived and credited to equity as at 31 March 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

21. AMOUNTS DUE FROM/(TO) SHAREHOLDERS, A DIRECTOR AND RELATED PARTIES (CONTINUED)

The Group has not made any provision for doubtful debts in respect of the amounts due from shareholders, for which the risk of default is assessed to be low.

None of the amounts due from shareholders is either past due or impaired.

22. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS/BANK OVERDRAFTS

Pledged bank deposits/Cash and cash equivalents

	2015 HK\$'000	2014 HK\$'000
Cash and bank balances	78,781	67,041
Short-term deposits	53,689	24,691
Less: pledged bank deposits	(53,689)	(24,691)
Cash and cash equivalents	<u>78,781</u>	<u>67,041</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one to three months, and earn interest at the respective short-term deposit rates. The bank balances and short-term deposits are deposited with creditworthy banks with no recent history of default.

The Group has pledged its short-term deposits in order to fulfill collateral requirements from the banks (see Note 24 for further details).

Bank overdrafts

Bank overdrafts carried interest at a range of Hong Kong Prime Rate to Hong Kong Prime rate plus 1.5% or Hong Kong Dollar best lending rate plus 1.5% to Hong Kong Dollar best lending rate plus 3% per annum as at 31 March 2015 and 2014.

Details of securities for the bank overdrafts and other banking facilities are set out in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Trade payables (Note (a))	79,239	28,162	–	–
Retention payables (Note (b))	27,191	13,807	–	–
Other payables and accruals (Note (c))	32,312	22,561	4,629	–
	138,742	64,530	4,629	–

- (a) An ageing analysis of trade payables as at the end of each of the reporting period, based on the invoice dates, is as follows:

	2015 HK\$'000	2014 HK\$'000
Current or less than 1 month	62,782	21,024
1 to 3 months	14,693	5,810
More than 3 months but less than one year	1,764	1,328
	79,239	28,162

The Group's trade payables are non-interest bearing and generally have payment terms of 30 to 45 days.

- (b) Retention monies withheld from sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.
- (c) Other payables are non-interest bearing and have average payment terms of one to three months.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

24. BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Current		
<i>Secured interest-bearing bank loans:</i>		
Repayable on demand or within one year	69,978	23,296
Repayable after one year from the end of reporting period but contain a repayable on demand clause (shown under current liabilities)	3,646	6,194
Bank loans	73,624	29,490
<i>Unsecured interest-bearing other loan:</i>		
Loan from an independent third party repayable within one year	–	12,000
Total borrowings	73,624	41,490
Analysed based on scheduled repayment terms set out in the loan agreements, into:		
Within one year or on demand	69,978	35,296
In the second year	2,552	2,548
In the third to fifth years, inclusive	1,094	3,646
	73,624	41,490

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank loans is as follows:

	2015 %	2014 %
Effective interest rates:		
Variable-rate bank loans	4.00 to 6.75	3.75 to 6.50
Variable-rate other loan	5.25	5.25

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

24. BORROWINGS (CONTINUED)

Bank loans:

The bank loans together with bank overdrafts and other banking facilities are secured by:

- (a) a leasehold land and building held by a related company partially and beneficially owned by Mr. Tony Wong;
- (b) accrued benefits of a life insurance contract for Mr. Tony Wong (Note 34), which was surrendered on 19 March 2014 and the loan secured by this contract was settled on 25 March 2014;
- (c) bank deposits amounting to approximately HK\$53,689,000 and HK\$24,691,000 as at 31 March 2015 and 2014 respectively (Note 22);
- (d) proceeds on certain civil engineering contracts undertaken by the Group;
- (e) personal guarantees executed by Mr. Tony Wong and Mr. Kwong and corporate guarantees given by certain entities within the Group;
- (f) guarantees in favour of the Group for an amount of HK\$4,000,000 with risk sharing factor of 80% as at 31 March 2015 and 2014, under The Special Loan Guarantee Scheme operated by the Hong Kong Government;
- (g) guarantees to the extent of approximately HK\$4,879,000 and HK\$6,800,000 as at 31 March 2015 and 2014 respectively, under The SME Financing Guarantee Scheme operated by the Hong Kong Mortgage Corporation Limited;
- (h) proceeds on certain insurance policy of a civil engineering contract undertaken by the Group;
- (i) a personal guarantee executed by a director of a subsidiary; and
- (j) corporate guarantee executed by a related company.

The unutilised banking facilities as at 31 March 2015 amounted to approximately HK\$53,481,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

24. BORROWINGS (CONTINUED)

Other loan:

Pursuant to a loan agreement dated 27 September 2013 entered into by the Group with an independent third party, the Group obtained an unsecured loan facility up to a principal amount of HK\$12,000,000. An amount of HK\$6,000,000 was drawn down as at 30 September 2013 and a further HK\$6,000,000 was drawn down on 2 October 2013. The Group repaid HK\$12,000,000 during the year ended 31 March 2015. Other loan bears interest at the Hong Kong Prime Rate plus 0.25% per annum and is repayable in full with accrued interest in twelve months from the drawn down dates of the loan.

25. LEASES

Finance leases

The Group leases a number of its motor vehicles and furniture and fixtures for business use. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
As at 31 March 2015			
Within one year	127	6	121
In the second year	116	1	115
	<u>243</u>	<u>7</u>	<u>236</u>
As at 31 March 2014			
Within one year	127	9	118
In the second year	127	6	121
In the third year to fifth year, inclusive	116	1	115
	<u>370</u>	<u>16</u>	<u>354</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

25. LEASES (CONTINUED)

Operating leases – lessee

The Group leased its office premises under operating lease arrangement which were negotiated for terms ranging from one to three years.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	2015	2014
	HK\$'000	HK\$'000
Not later than one year	3,013	2,035
Later than one year and not later than five years	2,245	612
	5,258	2,647

26. DEFERRED TAX

Details of the deferred tax liabilities recognised and movements during current and prior years are as follows:

	Accelerated depreciation allowances
	HK\$'000
At 1 April 2013	1,084
Credited to profit or loss for the year (Note 12)	(570)
At 31 March 2014 and 1 April 2014	514
Credited to profit or loss for the year (Note 12)	(81)
At 31 March 2015	433

Certain subsidiaries of the Group had estimated tax losses arising in Hong Kong amounting to approximately HK\$101,749,000 and HK\$114,119,000 as at 31 March 2015 and 2014 respectively, that are available indefinitely for offsetting against their future taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses due to unpredictability of future profit streams. Tax losses can be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

27. SHARE CAPITAL

	The Company	
	Number	Amount HK\$'000
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
At 31 March 2013 and 2014 and 1 April 2014	38,000,000	380
Increase in authorised share capital on 16 March 2015 (Note (a))	1,962,000,000	19,620
	<u>2,000,000,000</u>	<u>20,000</u>
At 31 March 2015	<u><u>2,000,000,000</u></u>	<u><u>20,000</u></u>
Issued and fully paid:		
<i>Ordinary shares of HK\$0.01 each</i>		
At 31 March 2013 and 2014 and 1 April 2014	1	–
Issue of shares upon Group Reorganisation (Note (c))	999,999	10
Capitalisation issue of shares (Note (d))	839,000,000	8,390
Issue of shares by placing (Note (e))	120,000,000	1,200
	<u>960,000,000</u>	<u>9,600</u>
At 31 March 2015	<u><u>960,000,000</u></u>	<u><u>9,600</u></u>

- (a) The Company was incorporated in the Cayman Islands on 6 December 2012 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same date, one ordinary share of HK\$0.01 was issued to Codan Trust Company (Cayman) Limited at nil paid, and was transferred to Twilight Treasure Limited at nil consideration. Pursuant to the written resolutions passed on 16 March 2015, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 ordinary shares.
- (b) The share capital of the Group as at 31 March 2014 represented the aggregate amount of the share capital of the subsidiaries and such amount was offset against the merger reserve upon the Group Reorganisation.
- (c) On 16 March 2015, the Company acquired the entire equity interest in Win Vision from Fortune Decade and Twilight Treasure Limited for a consideration of approximately HK\$22,978,000, which the Company settled by allotting and issuing its 533,300 ordinary shares to Fortune Decade and 466,699 ordinary shares to Twilight Treasure Limited, all credited as fully paid.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

27. SHARE CAPITAL (CONTINUED)

- (d) Pursuant to written resolutions passed on 16 March 2015, the Directors were authorised to capitalise a sum of approximately HK\$8,390,000 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 839,000,000 ordinary shares of the Company (“Capitalisation Issue”).
- (e) Under the placing took place during the year, 120,000,000 new ordinary shares of HK\$0.01 each were issued at a price of HK\$0.3 per share for a total cash consideration (before share issuance expenses) of approximately HK\$36,000,000.

28. RESERVES

The amounts of the Group’s reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements. Movements in the Company’s reserves during the current and prior years are as follows:

The Company	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2013	–	–	–	(2,353)	(2,353)
Loss for the year	–	–	–	(32)	(32)
At 31 March 2014 and 1 April 2014	–	–	–	(2,385)	(2,385)
Issue of shares upon Group Reorganisation (Note 27(c))	–	22,968	–	–	22,968
Capitalisation issue of shares (Note 27(d))	(8,390)	–	–	–	(8,390)
Issue of shares by placing (Note 27(e))	34,800	–	–	–	34,800
Share issuance expenses	(2,599)	–	–	–	(2,599)
Reimbursement of listing expenses by certain shareholders (Note 28(d))	–	–	7,453	–	7,453
Loss for the year	–	–	–	(13,674)	(13,674)
At 31 March 2015	23,811	22,968	7,453	(16,059)	38,173

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

28. RESERVES (CONTINUED)

The nature and purpose of reserves within equity are as follows:

(a) Share premium

The share premium account represents the excess of the proceeds received over the nominal value of the Company's shares issued.

(b) Merger reserve

The merger reserve of the Group represents the difference between the investment costs in subsidiaries and the nominal value of the issued share capital of the Group's subsidiaries.

(c) Contributed surplus

Contributed surplus of approximately HK\$22,968,000 represents the excess of the carrying amount of the Company's share of equity value of a subsidiary acquired and the nominal amount of the Company's shares issued for such acquisition at the time of the Group Reorganisation that were completed on 16 March 2015.

(d) Capital reserve

The capital reserve arose from capital contribution from equity holders resulted from the events set out below:

- (i) Pursuant to a written confirmation on 23 March 2015, two of the Company's shareholders, Fortune Decade and Twilight Treasure Limited, agreed to bear the listing expenses in connection with 120,000,000 sales shares sold through the placing of the Company's shares took place during the year and reimburse their share of these expenses to the Company upon the Listing. The reimbursement of approximately HK\$7,453,000 by these shareholders in their capacity as shareholders was accounted for as capital contribution to the Company; and
- (ii) The shareholders of certain subsidiaries of the Company agreed to repay the dividends previously received by them by the way of set-off against their respective amounts receivable from those subsidiaries of the Group. Such repayment of dividends was accounted for as capital contribution to the Group.

(e) Accumulated losses

The amount represents cumulative net losses recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

29. MAJOR NON-CASH TRANSACTIONS

On 30 September 2013, pursuant to two deeds of waiver agreements, an aggregate amount of HK\$9,000,000 due to a director who is also a controlling shareholder, Mr. Tony Wong, was waived and credited to equity as at 31 March 2014 as detailed in Note 21.

30. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transactions, which also constitute connected transactions as defined in Chapter 20 of the Listing Rules, during the year:

(i)

Name of related parties	Nature of transactions	2015 HK\$'000	2014 HK\$'000
Benease Limited (a)	Rental expense (d)	–	60
Ms. Chiu	Rental expense (d)	260	456
Shiu Mau Development Limited (b)	Rental expense (d)	900	900
U-Tech Engineering Co. Ltd. (c)	Subcontracting fee (d)	6,486	1,451

Notes:

- (a) Mr. Tony Wong and Mr. Kwong are the directors and beneficial owners of the company.
- (b) The company is partially and beneficially owned by Mr. Tony Wong, of which Mr. Tony Wong is a director.
- (c) U-Tech Engineering Co. Ltd. is a minority partner of a subsidiary, Kwan On – U-Tech 1, of the Group.
- (d) The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

30. RELATED PARTY TRANSACTIONS (CONTINUED)

- (ii) Included in other receivables of the Group are amount due from a minority venturer of a subsidiary, U-Tech Engineering Co. Ltd., amounting to HK\$1,517,000 as at 31 March 2015 (2014: HK\$1,362,000) (Note 20). The balance is unsecured, interest-free and repayable on demand.

Key management personnel compensation

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the current and prior years are set out in Note 11 to the consolidated financial statements.

31. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are trade and other receivables and cash and bank balances that derive directly from its operations. Principal financial liabilities of the Group include trade and other payables, borrowings and amount due to a director and related parties. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of the reporting period. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from amounts due from shareholders, deposits with banks.

The credit risk of Group's trade and retention receivables is concentrated, since 93% and 88% of which was derived from two major customers as at 31 March 2015 and 2014 respectively. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

The Group's customers are mainly government departments/organisation and reputable corporations and thus credit risk is considered to be low. Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the reporting period and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group's major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks.

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the reporting period and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative 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. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	Over 1 year HK\$'000	Total HK\$'000
As at 31 March 2015					
Trade and other payables	63,390	62,782	–	12,570	138,742
Finance lease payables	–	32	95	116	243
Borrowings	73,624	–	–	–	73,624
	<u>137,014</u>	<u>62,814</u>	<u>95</u>	<u>12,686</u>	<u>212,609</u>
As at 31 March 2014					
Trade and other payables	54,378	5,810	1,328	3,014	64,530
Finance lease payables	–	32	95	243	370
Borrowings	41,490	–	–	–	41,490
Amount due to a director	1,950	–	–	–	1,950
Amounts due to related parties	4,675	–	–	–	4,675
Amount due to other partner of a joint operation	44	–	–	–	44
	<u>102,537</u>	<u>5,842</u>	<u>1,423</u>	<u>3,257</u>	<u>113,059</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

Bank and other loans with a repayment on demand clause are included in the “on demand” time band in the above maturity analysis. As at 31 March 2015 and 2014, the aggregate undiscounted principal amounts of these loans amounted to approximately HK\$73,624,000 and HK\$41,490,000 respectively. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

	Less than 1 month HK\$’000	1 to 3 months HK\$’000	3 to 12 months HK\$’000	Over 1 year HK\$’000	Total HK\$’000
Borrowings					
At 31 March 2015	<u>39,291</u>	<u>27,161</u>	<u>4,209</u>	<u>3,757</u>	<u>74,418</u>
At 31 March 2014	<u>17,373</u>	<u>2,552</u>	<u>16,170</u>	<u>6,505</u>	<u>42,600</u>

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, borrowings and bank overdrafts (see Notes 22 and 24 for details of these balances). Interest charged on the Group’s borrowings are at variable rates. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to the short-term bank deposits. However, management considers the fair value interest rate risk on these deposits is insignificant as they are relatively short-term. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances, borrowings and bank overdrafts. The analysis is prepared assuming that the amount of assets and liabilities outstanding at the end of each of the reporting period were outstanding for the whole year. 25 basis points and 50 basis points increase or decrease represent management's assessment of the reasonably possible change in interest rates of bank balances, borrowings and bank overdrafts, respectively. The calculation of 25 basis points decrease in interest rates of bank balances excluded the bank balances in Hong Kong of HK\$124,382,000 and HK\$87,732,000 at 31 March 2015 and 2014 respectively, which carried an interest rate below 0.25%.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the reporting period do not reflect the exposures during the year.

If interest rates on bank balances had been 25 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 March 2015 and 2014 is as follows:

	2015	2014
	HK\$'000	HK\$'000
Increase/(decrease) in profit for the year		
– as a result of increase in interest rate	17	8
– as a result of decrease in interest rate	(17)	(8)
	=====	=====

If interest rates on borrowings and bank overdrafts had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 March 2015 and 2014 is as follows:

	2015	2014
	HK\$'000	HK\$'000
(Decrease)/increase in profit for the year		
– as a result of increase in interest rate	(307)	(175)
– as a result of decrease in interest rate	307	175
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

32. CAPITAL RISK MANAGEMENT

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

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

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as the total of amounts due to customers for contract work, trade and other payables, finance lease payables, borrowings, amount due to other partner of a joint operation, amounts due to a director and related parties and bank overdrafts, and less cash and cash equivalents. Capital includes equity attributable to owners of the Company.

	2015	2014
	HK\$'000	HK\$'000
Total debt	235,956	179,776
Less: Cash and cash equivalents	(78,781)	(67,041)
Net debt	157,175	112,735
Equity attributable to the owners of the Company	71,682	13,418
Net debt and equity	228,857	126,153
Gearing ratio	69%	89%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Loans and receivables				
Trade and other receivables	118,104	72,572	–	–
Amounts due from shareholders	9,492	88	9,462	–
Amount due from a subsidiary	–	–	34,612	–
Amounts due from other partners of joint operations	241	43	–	–
Pledged bank deposits	53,689	24,691	–	–
Cash and cash equivalents	78,781	67,041	–	–
	260,307	164,435	44,074	–
Financial liabilities at amortised cost				
Trade and other payables	138,742	64,530	4,629	–
Finance lease payables	236	354	–	–
Borrowings	73,624	41,490	–	–
Amount due to a director	–	1,950	–	–
Amounts due to related parties	–	4,675	–	–
Amount due to other partner of a joint operation	–	44	–	–
Amounts due to subsidiaries	–	–	14,650	2,385
	212,602	113,043	19,279	2,385

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

34. LIFE INSURANCE INVESTMENT

The beneficiary of a life insurance policy to insure against the death of a director who is also a controlling shareholder of the Group, Mr. Tony Wong, with an aggregate insured sum of approximately US\$200,000 (equivalent to approximately HK\$1,560,000) was UFCL, a subsidiary of the Company. The monthly insurance costs and administration charges determined by the insurance company will be deducted from the account value. The insurer will declare interest (including the guaranteed interest) to the Group on a monthly basis, based on the amount of accumulated value, at a rate to be determined at their own discretion.

As at 31 March 2013, the Group's life insurance investment amounted to HK\$1,176,000. On 19 March 2014, the Group surrendered the life insurance investment with accumulated value of approximately US\$153,000 (equivalent to HK\$1,191,000) and surrender charge of US\$12,000 (equivalent to HK\$91,000) was recognised for the year ended 31 March 2014. There was no such investment as at 31 March 2015 and 2014.

35. COMMITMENTS

Details of the Group's operating lease commitments are set out in Note 25 above. The Group has no capital commitment at the end of each of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

36. NON-CONTROLLING INTERESTS

Kwan On – U-Tech 1, a 70% – owned subsidiary of the Company, has material non-controlling interests (“**NCI**”).

Summarised financial information in relation to the NCI of Kwan On – U-Tech 1, before eliminations, is presented below:

	2015	2014
	HK\$'000	HK\$'000
Revenue	92,123	71,628
Profit for the year	12,233	11,948
Total comprehensive income	12,233	11,948
Profit allocated to NCI	3,670	3,585
Distribution paid to NCI	2,400	2,400
Cash flows from operating activities	3,121	11,632
Cash flows used in investing activities	–	–
Cash flows used in financing activities	(2,400)	(2,400)
Net cash inflows	721	9,232
	2015	2014
	HK\$'000	HK\$'000
Current assets	28,464	28,637
Non-current assets	867	3,038
Current liabilities	(10,318)	(16,798)
Non- current liabilities	(70)	(167)
Net assets	18,943	14,710
Accumulated non-controlling interests	5,683	4,413

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

37. LITIGATIONS

At the end of the reporting period, there were a number of labour claims arising from the normal course of business being lodged against the Group and no specific claim amount has been specified in the applications of these claims except as detailed below. In the opinion of the Directors, the possibility of any outflow of resources in settling these claims was remote and/or sufficient insurance policies are maintained to cover the loss, if any, arising from these claims and therefore the ultimate liability under these claims would not have a material adverse impact on the financial position or results of the Group.

- (a) In about April 2013, an employee of a subcontractor of Kwan On sued against Kwan On and one other defendant to the High Court in respect of a claim for personal injury sustained by him in an accident happened on 14 December 2011 arising out of and in the course of his employment. No specific amount of claim was stated in the writ of proceedings. By a consent order of the High Court of Hong Kong dated 16 December 2014, Kwan On and the other respondent were ordered to pay the plaintiff a sum of HK\$1,215,000 (inclusive of interest) in full and final settlement of his claim against Kwan On and the other respondent in respect of the above action. The payment has been made by the insurer at the end of the year.

- (b) In about October 2012, an employee of Director of Lands sued against Kwan On, Secretary of Justice (sued on behalf of Director of Lands) and one other defendant in respect of a claim for personal injury sustained by him in his course of employment arising out of the alleged negligence and/or breach of statutory duty and/or breach of common duty of care under the Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) in an accident happened on 11 November 2009 at a construction site alleged to be occupied and managed by Kwan On. No specific amount of claim was stated in the writ of proceeding. By a letter dated 14 November 2014 from the plaintiff's solicitor to Kwan On, Kwan On was informed that the plaintiff proposed a sanctioned offer of HK\$185,000. On 11 February 2015, an agreement was reached by all parties whereby the plaintiff agreed to accept the sum of HK\$120,000 (inclusive of interest but on top of the compensation under the Employees' Compensation Ordinance already received by the plaintiff) in full and final settlement of his claims in these proceedings and all his claims arising out of and in connection with the alleged accident happened on 11 November 2009, of which HK\$80,000 would be borne and has been paid by Kwan On at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

37. LITIGATIONS (CONTINUED)

- (c) In about November 2013, an employee of a subcontractor of UEL sued against UEL and the other defendant in respect of a claim for employees' compensation under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) for personal injury sustained by the employee in an accident happened on or about 28 June 2012 arising out of and in the course of his employment. According to the Certificate of Assessment of the Employees' Compensation (Ordinary Assessment) Board dated 19 November 2013, the loss of earning capacity permanently caused by the injury is 25%. No specific amount of claim was stated in the writ of proceeding. By a letter dated 13 November 2014 from the plaintiff's solicitors to UEL's solicitors, the plaintiff has agreed, without prejudice to any issue that may arise in the plaintiff's common law claim, to accept a sum of approximately HK\$341,000 in settlement of the claim and the plaintiff's legal adviser has confirmed the receipt from UEL a sum of HK\$341,000 on 7 January 2015.
- (d) In about February 2014, an employee of a subcontractor of Kwan On sued against such subcontractor and Kwan On in respect of a claim for personal injury sustained by him in his course of employment in an accident happened on 26 April 2011 at a construction site alleged to be occupied and managed by the said subcontractor. No specific amount of claim was stated in the writ of proceedings. No settlement has been reached and no judgement has been entered against Kwan On in respect of the above action. The payment received by the applicant of this case under the previous settled claim against Kwan On and its subcontractor commenced by him under the Employees' Compensation Ordinance was approximately HK\$396,000, it is estimated that the net compensation under the said action to be approximately HK\$1,253,000. In the opinion of the Directors, based on the advice from the Group's legal counsel, the Group has a valid defence against the claim and accordingly has not provided for any claim arising from the litigation.
- (e) In about April 2014, an employee of a subcontractor of UEL sued against such subcontractor and UEL in respect of a claim for personal injury sustained by him in his course of employment in an accident happened on 28 June 2012 at a construction site alleged to be occupied and managed by the said subcontractor. Approximately HK\$2.7 million plus interest is claimed under this action. No settlement has been reached and no judgement has been entered against Kwan On in respect of the above action. The Plaintiff of the said action is the applicant of the District Court Action in Note 37(c). In the opinion of the Directors, based on the advice from the Group's legal counsel, the Group has a valid defence against the claim and the claim amount is rather excessive. Accordingly, the Group has not provided for any claim arising from the litigation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

37. LITIGATIONS (CONTINUED)

- (f) In about May 2014, an employee of UCRL sued against UCRL and Kwan On in respect of a claim for employees' compensation under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) for personal injury sustained by the employee in an accident happened on or about 13 July 2012 arising out of and in the course of his employment. According to the Certificate of Assessment of the Employees' Compensation (Ordinary Assessment) Board dated 12 March 2014, the loss of earning capacity permanently caused by the injury is 3.5%. Accordingly, it is estimated that the compensation payable under the said action to be approximately HK\$59,000. In about April 2015, the employee of UCRL further sued against UCRL and Kwan On to the High Court in respect of a claim for personal injury in relation to the aforesaid accident. No judgements have been made against the UCRL and Kwan On in respect of aforesaid actions. In the opinion of the Directors, the Group has taken out the necessary employees' compensation policy to cover its liability against the said proceedings.
- (g) In about December 2014, a District Court Action was commenced by an employee of UCRL against UCRL as the first respondent and Kwan On as the second respondent in respect of a claim for employees' compensation under the Employees' Compensation Ordinance for personal injury sustained by the employee in an accident happened on or about 9 December 2012 arising out of and in the course of his employment. No specific amount of claim was stated in the writ of proceeding. According to the Certificate of Assessment of the Employees' Compensation (Ordinary Assessment) Board dated 27 October 2014, the loss of earning capacity permanently caused by the injury is 2%. Accordingly, it is estimated that the compensation payable under the said action will amount to approximately HK\$37,000.
- (h) In about June 2015, an employee of a subcontractor of Kwan On commenced a District Court Action against a subcontractor of Kwan On as the first respondent and Kwan On as the second respondent in respect of a claim for employees' compensation under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) for personal injury sustained by the employee in an accident happened on or about 4 January 2014 arising out of and in the course of his employment. No specific amount of claim was stated in the writ of proceeding. No settlement has been reached and no judgment has been entered against Kwan On in respect of the above action. In the opinion of the Director the Group has taken out necessary employees' compensation policy to cover its liability against the said proceeding.

The Group is also a defendant in a legal claim of approximately HK\$9,516,000 initiated by a subcontractor of one of the Group's subcontractors, which is another defendant, for breach of certain oral agreement made by the Group. The action has been put in abeyance since September 2009. In the opinion of the Directors, based on the advice from the Group's legal counsel, the Group has a valid defence against the claim and accordingly not provided for any claim arising from the litigation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

37. LITIGATIONS (CONTINUED)

In about June 2015, a series of prosecutions were made to Kwan On and UFCL in respect of an incident happened in November 2014 on a construction site of the Group where the Group was in contrary of certain sections under Chapter 59 of the Factories and Industrial Undertaking Ordinance. No judgement has been entered against Kwan On and UFCL in respect of the above prosecutions and these prosecutions have been adjourned to July 2015. In the opinion of the Directors, based on the advice from the legal counsel, the Group has valid defence against the prosecutions and accordingly not provided for the aforementioned prosecutions.

The indemnifiers, represent Fortune Decade and Twilight Treasure Limited, have undertaken to jointly and severally indemnify and at all times keep the Group indemnified against all the costs and liabilities incurred by the Group in relation to those outstanding or unsettled legal and arbitration proceedings, investigations, prosecutions and/or claims, to the extent that such costs and liabilities are resulting from or by reference to any event or circumstances occurred on or before the date on which the trading of the shares first commence on GEM (the "Listing Date") (which, for the avoidance of doubts, including any claims which filed after the Listing Date) that exceed the relevant amounts of provisions made in the consolidated financial statements of the Company set out in the Appendix I to the Prospectus issued by the Company dated 23 March 2015 and are not otherwise indemnified by any other parties under any contractual obligations.

38. JOINT OPERATIONS

Details of investments in joint operations as at 31 March 2015 and 2014 are as follows:

Name	Place and date of operation	Principal activities	Participating shares
Kwan On – U-Tech 2	Unincorporated joint operation operating in Hong Kong, 16 December 2013	Civil engineering construction	50%
Kwan On – China Geo	Unincorporated joint operation operating in Hong Kong, 12 August 2013	Civil engineering construction	51%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

38. JOINT OPERATIONS (CONTINUED)

Note:

Pursuant to the terms of the joint venture agreement, the profit or loss sharing for each year of the joint operation shall be distributed to the joint operators in proportion to their respective participating interests.

Amounts due from/(to) other partners of joint operations are unsecured, non interest bearing, have no fixed terms of repayment and are denominated in Hong Kong dollars.

39. SHARE OPTION SCHEME

Shareholders of the Company have approved and adopted a share option scheme (the “**Scheme**”) on 16 March 2015.

A summary of the Scheme is set out as below:

The Scheme became effective for a period of 10 years commencing on 16 March 2015. Under the Scheme, the Directors shall, in its absolute discretion select, make an offer to any eligible participants to subscribe for shares of the Company at a subscription price being not less than the highest of (i) the closing price of shares of the Company as stated in the Stock Exchange’s daily quotation sheet on the offer date; or (ii) the average closing prices of the shares of the Company as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the share on the offer date. The offer of a grant of options may be accepted within 21 days from the date of the offer grant.

The maximum number of shares to be issued upon the exercise of all outstanding options granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Company must not in aggregate exceed 10% of the issued share capital of the Company at the date of the approval of the Scheme.

No options have been granted since the adoption of the share option scheme.

40. SUBSEQUENT EVENTS

Except for certain litigations taken place subsequent to 31 March 2015 as disclosed in Note 37, there are no other significant events which have taken place subsequent to the end of the reporting period.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 June 2015.

FINANCIAL SUMMARY

For the three years ended 31 March 2013, 2014 and 2015

RESULTS

	Year ended 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Revenue	311,880	393,283	693,150
Profit before income tax expense	9,490	29,418	23,444
Income tax expense	(3,762)	(5,790)	(2,364)
Profit and total comprehensive income for the year	<u>5,728</u>	<u>23,628</u>	<u>21,080</u>
Attributable to:			
Owners of the Company	1,483	20,043	17,410
Non-controlling interests	4,245	3,585	3,670
	<u>5,728</u>	<u>23,628</u>	<u>21,080</u>

ASSETS AND LIABILITIES

	As at 31 March		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Total assets	130,326	204,807	313,792
Total liabilities	142,723	186,976	236,427
(Deficiency in assets)/Total equity	(12,397)	17,831	77,365
Non-controlling interests	3,228	4,413	5,683
Equity attributable to owners of the Company	<u>(15,625)</u>	<u>13,418</u>	<u>71,682</u>