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
2016

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*This report, for which the directors of Kwan On Holdings Limited (the "**Directors**") 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.

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BOARD OF DIRECTORS

Executive Directors

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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

Dakin 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

SHINEWING (HK) CPA 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

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Industrial Bank of Taiwan Co., Ltd.

WEBSITE ADDRESS

www.kwanonconstruction.com

STOCK CODE

8305

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Kwan On Holdings Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the financial year ended 31 March 2016 (hereafter referred as the "**Reporting Year**").

OVERVIEW

We have experienced a challenging but brilliant year, the market condition of the construction industry in Hong Kong was prosperous in the Reporting Year. Consequently, the Group recorded outstanding results for the Reporting Year with a growth in both revenue and gross profit which are in line with the Company's expectation. Revenue of the Group recorded an increase from approximately HK$693.2 million for the year ended 31 March 2015 to approximately HK$719.8 million for the Reporting Year, representing an increase of approximately HK$26.6 million. Gross profit also increased from approximately HK$52.8 million for the year ended 31 March 2015 to approximately HK$57.3 million for the Reporting Year, representing an increase of approximately HK$4.5 million. Profit attributable to owners of the Company for the year increased from approximately HK$17.4 million for the year ended 31 March 2015 to approximately HK$27.0 million for the Reporting Year, representing an increase of approximately HK$9.6 million. During the Reporting Year, our construction projects continued to expand and grow steadily and be a major revenue contributor for the Group.

OPERATION REVIEW

During the Reporting Year, the Group completed two projects. We also had 17 projects in progress, amounting to an aggregate estimated contract value of approximately HK$4,088.1 million.

The Group has secured 3 new contracts under the name of Kwan On Construction Company Limited ("**Kwan On Construction**") and another 3 new contracts under joint ventures or/and joint tenders with an aggregate estimated contract value of approximately HK$398.2 million and HK$1,262.2 million respectively during the Reporting Year, among which the projects were related to road works and drainage services and site formation works.

MAJOR CORPORATE EVENTS

During the Reporting Year, Kwan On Construction formed the following new unincorporated joint ventures with its business partners:

Name	Date of establishment	Counterparties
Kwan On – China Geo Joint Venture	14 July 2015	China Geo-Engineering Corporation
Kwan On – Richwell – SCG JV	8 December 2015	Richwell Machinery Engineering Limited and Shanghai Construction Group Co. Ltd.
KO-CG Joint Venture	23 December 2015	China Geo-Engineering Corporation

The above new joint ventures were formed solely for the purpose of submitting the tender and the subsequent execution of the works in respect of the respective construction projects.

PROSPECT

In view of the increasing expenditure on public works projects by the Hong Kong government, with reference to the Hong Kong 2016–2017 Budget, and the prospects for private development projects, we believe the number and value of construction works to be tendered will continue to rise and the construction works available to us will grow steadily.

Looking to the future, our Group intends to continue the implementation of our strategies, focusing on the three main sources of our success by (i) expanding our business scale and in order to achieve sustainable growth in our business and tendering more construction contracts through Kwan On Construction; (ii) further strengthening our manpower; and (iii) acquisition of additional equipment and machinery to strengthen our ability of project implementation.

APPRECIATION

I would like to take this opportunity to express my gratitude to all the shareholders and customers for their invaluable support. I would also like to express our sincere appreciation to all the employees of the Group for their hard work and dedication.

Wong Yee Tung, Tony
Managing Director
3 May 2016

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Yee Tung Tony (黃宜通) ("Mr. Wong"), aged 68, 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 (鄺永基) ("Mr. Kwong"), aged 62, 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 46, 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 (何昊洺) (former name: Ho Wing Hang (何榮亨)) ("Mr. Ho"), aged 43, 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.

Mr. Ho has over 18 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, Wan Kei Group Holdings Limited (Stock code: 1718) since November 2014, and LEAP Holdings Group Limited (stock code: 1499) since August 2015, the issued shares of which are listed on the Main Board or GEM of the Stock Exchange.

Professor Lam Sing Kwong, Simon (林誠光) ("Prof. Lam"), aged 57, 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 Overseas Chinese Town (Asia) Holdings Limited (stock code: 3366) since May 2009, Beijing Enterprises Clean Energy Group Limited (stock code: 1250), Sinomax Group Limited (stock code: 1418) since March 2014 and King Force Security Holdings Limited (stock code: 8315) since July 2014, the issued shares of which are listed on the Main Board or GEM of the Stock Exchange. Prof. Lam was an independent non-executive director of Chun Sing Engineering Holdings Limited (stock code: 2277) from December 2014 to April 2016, and Glory Flame Holdings Limited (stock code: 8059) from August 2014 to March 2016, 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 43, was appointed as an independent non-executive Director on 16 March 2015. Mr. Chan is currently the chief financial officer of Denox Environmental & Technology Holdings Limited (stock code: 1452). 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) since May 2014, the shares of which are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Procurement Manager

Mr. Mak Kam Ho (麥錦浩) ("Mr. Mak"), aged 41, joined Univic Engineering Limited, a wholly-owned subsidiary of our Company ("**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 Construction. 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 Construction 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 46, joined Kwan On Construction in April 2011 as the senior project manager. He has approximately 15 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 and pursued his post-doctoral research at The University of Hong Kong from January to December 1999. Prior to joining the Group, from December 1999 to March 2011, Dr. Wong was employed as contracts manager by an engineering company.

Mr Yu Shing On (余成安) ("Mr. Yu"), aged 53, joined Kwan On Construction as a project manager in 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 the Water Supplies Department 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 39, 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

The Group is engaged in the provision of (i) waterworks engineering services; (ii) road works and drainage services and site formation works; (iii) landslip preventive and mitigation works to slopes and retaining walls services ("**LPM Services**"); and (iv) building works as a contractor in Hong Kong.

Kwan On Construction, an operating subsidiary of the Group, is one of the Group C contractors (confirmed) for waterworks engineering services, Group C contractors (confirmed) for roads and drainage services, Group B contractors (confirmed) for site formation services, and Group A contractors (probationary) for buildings services on the list of approved contractors for public works maintained by the works Branch of the Development Bureau of the Government of Hong Kong.

BUSINESS REVIEW AND OUTLOOK

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

Set out below are the details of the contracts in progress up to 31 March 2016:

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						
15/WSD/11	Water Supplies Department ("**WSD**")	Replacement and Rehabilitation of Water Mains, Stage 4 Phase 2 – Mains on Outlying Islands	5/4/2016[1]	164.5	124.6	39.9
DC/2012/05	Drainage Service Department	Sewerage at Yuen Long Kau Hui and Shap Pat Heung	6/9/2016	160.9	137.6	23.3
KL/2012/03	Civil Engineering and Development Department ("**CEDD**")	Kai Tak Dvelopment – Stage 4 infrastructure at former north apron area	2/9/2017	830.2	427.2	403.0
GE/2012/11	CEDD	Landslip Prevention and Mitigation Programme, 2009, Package C, Landslip Prevention and Mitigation Works in Lantau and Hei Ling Chau	8/1/2016[1]	88.3	81.9	6.4
GE/2013/06	CEDD	Landslip Prevention and Mitigation Programme, 2008, Package J, Landslip Prevention and Mitigation Works in New Territories	4/11/2015[1]	121.3	112.6	8.7

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
GE/2013/17	CEDD	Landslip Prevention and Mitigation Programme, 2008, Package M, Landslip Prevention and Mitigation Works in Lantau North	27/12/2015[1]	75.2	67.9	7.3
20130375	Housing Authority	Main Engineering Infrastructure in Association with The Proposed Developments at Area 56 in Tung Chung	29/2/2016[1]	40.0	22.4	17.6
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	18/6/2017	106.6	49.9	56.7
CV/2015/01	CEDD	Provision of Universal Access Facilities for Highway Structures – Package 1 Contract 2	8/11/2019	254.1	7.1	247.0
CDO2015034	The Chinese University of Hong Kong	Slope Stability Improvement Works – Package JJ Natural Terrain Hazard Mitigation Works for Slop above Campus Circuit East (Natural Terrain Ref. No. NT01)	17/9/2016	15.2	–	15.2
GW/2015/ 05/038	West Kowloon Cultural District Authority	Public Infrastructure Works for Phase 1 Development of West Kowlon Cultural District (Package 1)	9/1/2018	128.9	15.0	113.9
Total					1,046.2	939.0

Tendered by the Group's joint venture or joint operations

Contract number	Customer	Particular of contract	Original/ extended date for completion	Estimated Contract sum HK$ million	Estimated Total revenue to be received by our Group HK$ million	Cumulative Amount of revenue recognised by our Group HK$ million	Revenue expected to be recognised by Our Group HK$ million
10/WSD/10	WSD	Replacement and Rehabilitation of Water Mains, Stage 4 Phase 1 – Mains in Shatin and Sai Kung	26/1/2016[1]	425.9	425.9	350.9	75.0
4/WSD/11	WSD	Construction of Butterfly Valley Fresh Water Primary Service Reservoir Extension and Associated Mainlaying	18/7/2017	336.4	171.6	146.2	25.4
9/WSD/13	WSD	Water supply to Pak Shek Kok reclamation area, Tai Po – stage 2 phase 2	5/12/2016	78.4	39.2	23.9	15.3
HY/2014/12	Highways Department ("**HyD**")	Provision of Barrier-free Access Facilities for Highways Structures – Phase 3 Contract 6	15/7/2019	215.2	109.8	10.3	99.5
NE/2014/03	CEDD	Liantang/Heung Yuen Wai Boundary Control Point Site Formation and Infrastructure Works – Contract 7	10/9/2019	462.0	5.0	1.1	3.9
HY/2013/19	HyD	Retrofitting of Noise Barriers on Tuen Mun Road – Town Centre Section	27/12/2019	585.0	298.4	2.0	296.4
Total					1,049.9	534.4	515.5

Comparison of Business Objectives with Actual Business Progress

Business objectives up to 31 March 2016 as stated in our prospectus dated 23 March 2015 (the "Prospectus")	Actual business progress up to 31 March 2016
Monitoring the tender notice published by the relevant government departments for public works and identify prospective projects	The Group continued to monitor the tender notices published by the relevant government departments for public works and identify prospective projects for tendering and the Group has submitted 55 tenders during the Reporting Year.
Forming the project management team and compile master programs for any projects obtained by Kwan On Construction successfully with terms of around 24 months and estimated contract sum of HK$450 million from the government of Hong Kong (the "**New Projects**")	The Group has been awarded three contracts with total awarded sum of approximately HK$398.2 million during the Reporting Year. The Group has also been awarded three contracts jointly with joint venture partners with an estimated total revenue to be received by the Group amounted to approximately HK$1,262.2 million during the Reporting Year.
Implementation of works in accordance with the contract under the New Projects.	The Group has commenced implementation of the works in accordance with the contracts under the New Projects.
Submitting tenders, in particular, for roads and drainage services and/or waterworks engineering contracts	The Group has submitted 29 tenders for roads and drainage services and/or waterworks engineering contracts during the Reporting Year.
Purchasing equipment and machinery	The Group has purchased four motor vehicles and one crane during the Reporting Year.
Recruiting the project management and technical personnel required for implementation of the New Projects	The Group has recruited one project manager, three site agents and two quantity surveyors and three safety officers during the Reporting Year.
Implementing the New Projects in progress	The Group continued the implementation of the New Projects in progress during the Reporting Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives up to 31 March 2016 as stated in our prospectus dated 23 March 2015 (the "Prospectus")	Actual business progress up to 31 March 2016
Maintaining ongoing quality assurance and safety review on the works performed	The Group continued to maintain ongoing quality assurance and safety review on the works performed during the Reporting Year.
Strengthening of safety team	The Group continued to strengthen the safety team by recruitment of new safety officers during the Reporting Year.
Recruiting additional safety officer for quality assurance	The Group has recruited three new safety officers during the Reporting Year.
Reviewing the safety policy to address the risk areas and potential hazards and formulate improvement steps and procedures	The Group continued to review the safety policy and conducted 15 safety audits for various projects to address the risk areas and potential hazards and formulate improvements steps and procedures during the Reporting Year.
Implementing contracts with contract numbers KL/2012/03, GE/2012/11, GE/2013/06, GE/2013/17, 9/WSD/13, 15/WSD/11, 20130375 and GE/2013/16, each of which has the percentage of works certified below 50% as at the latest practicable date of the Prospectus and will be completed after 30 September 2015 (the "**Ongoing Contracts**") and the New Projects as programmed	The Group continued the implementation of the Ongoing Contracts and the New Projects as programmed during the Reporting Year.
Monitoring the progress of implementation by the subcontractors for the Ongoing Contracts and the New Projects	The Group continued the monitoring the progress of implementation by the subcontractors for the Ongoing Contracts and the New Projects during the Reporting Year.

FINANCIAL REVIEW

Revenue

Revenue for the Reporting Year amounted to approximately HK$719.8 million (2015: approximately HK$693.2 million), represented an increase of approximately 3.8% or approximately HK$26.6 million as compared to the year ended 31 March 2015.

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Waterworks	**215,830**	265,811
Road works and drainage and site formation works	**335,523**	252,886
LPM Services	**164,704**	171,503
Building works	**3,713**	2,950
	719,770	693,150

The revenue in the waterworks engineering services decreased by approximately 18.8% to approximately HK$215.8 million (2015: approximately HK$265.8 million). Such decrease was due to the decrease in revenue recognition from contract 11/WSD/08, 24/WSD/09, 6/WSD/11 and 15/WSD/11, which had been completed and/or were nearing their respective completions for the Reporting Year.

The Group has been awarded and commenced 7 projects in road works and drainage and site formation works category, of which 2 projects have been completed during the Reporting Year, which resulted in the increase of approximately 32.7% in revenue in road works and drainage and site formation works service to approximately HK$335.5 million during the Reporting Year (2015: approximately HK$252.9 million). These projects contributed to revenue of approximately HK$96.1 million for the Reporting Year.

The decrease in revenue in the LPM works during the Reporting Year was mainly due to the completion of the project GE/2010/21 during the Reporting Year. As such, the revenue in LPM services decreased by approximately 4.0% to approximately HK$164.7 million for the Reporting Year (2015: approximately HK$171.5 million).

Revenue generated from the building works category for the Reporting Year has increased by approximately 25.9% to approximately HK$3.7 million (2015: approximately HK$3.0 million). The rise was mainly due to the completion of a building maintenance project during the Reporting Year, which contributed to revenue of approximately HK$3.5 million to the Group for the Reporting Year.

Cost of services

Cost of services increased from approximately HK$640.3 million for the year ended 31 March 2015 to approximately HK$662.5 million for the Reporting Year, representing an increase of approximately 3.5%. The increase was mainly attributable to the increase in purchase of materials of approximately HK$21.1 million, which was mainly due to the commencement of several site formation works projects during the Reporting Year.

Gross profit and gross profit margin

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

	Year ended 31 March	
	2016	2015
Waterworks	**2.7%**	3.8%
Road works and drainage and site formation works	**12.2%**	10.9%
LPM Services	**8.6%**	10.5%
Building works	**0.9%**	–38.0%

The gross profit margin for waterworks engineering service decreased slightly to approximately 2.7% for the Reporting Year (2015: approximately 3.8%). Such decrease was mainly due to the completion of the maintenance period of contract 11/WSD/08 in the Reporting Year, which did contribute to the Group a comparatively high gross profit margin for the year ended 31 March 2015.

Gross profit margin for road works and drainage and site formation works service increased to approximately 12.2% for the Reporting Year (2015: approximately 10.9%). Such increase was mainly due to the increase in revenue recognition from project DC/2009/25 for the Reporting Year, the costs of which were fully incurred and recognised during the year ended 31 March 2015.

Gross profit margin for LPM Service decreased to approximately 8.6% for the Reporting Year (2015: approximately 10.5%). Such decrease was mainly due to the delay in payment certification by our employer of contract GE/2010/21.

Gross profit margin for building works increased significantly to approximately 0.9% for the Reporting Year (2015: approximately -38.0%). Such increase was mainly due to the costs for certain works were incurred and expensed in the prior year while such works had not been certified and thus income was not recognised on the ground of uncertain recoverability and the amount could not be measured reliably. Such certification has been obtained and income is recognised in the Reporting Year.

Other income

Other income for the Reporting Year amounted to approximately HK$3.4 million (2015: approximately HK$2.7 million). The increase was mainly due to (i) the increase in consultancy fee income of approximately HK$0.7 million as a result of an one-off provision of consultancy services to U-Tech Engineering Company Limited ("**U-Tech**"), a connected person of our Company, during the Reporting Year, which amounted to approximately HK$0.5 million; and (ii) the increase in amortisation of retention receivables of approximately HK$0.5 million during the Reporting Year, which was partly offset by the decrease in sundry income due to the decrease in ex-gratia payment paid to Transport Department of the Government of Hong Kong for the disposal of motor vehicles as a result of decrease in number of vehicles disposed of by the Group during the Reporting Year.

Administrative expenses

Administrative expenses for the Reporting Year amounted to approximately HK$23.9 million (2015: approximately HK$29.8 million). The decrease was mainly due to the decrease in insurance expenses of approximately HK$0.3 million due to (i) the cessation of key man insurance in the Reporting Year upon termination of the banking facilities with a bank; and (ii) the decrease in motor vehicle insurance as a result of disposal of several vehicles, as well as the decrease in professional service expenses of approximately HK$0.3 million upon the successful listing of the Company on the GEM Board of the Stock Exchange on 27 March 2015.

Finance costs

Finance costs for the Reporting Year amounted to approximately HK$4.5 million (2015: approximately HK$2.5 million). The increase was mainly due to the increase in interest expenses of approximately HK$1.2 million as a result of (i) the increase in average outstanding borrowings for the Reporting Year as compared to that of the year ended 31 March 2015; and (ii) the increase in cost of imputed interest of approximately HK$0.7 million for the Reporting Year.

Income tax expense

Income tax expense for the Reporting Year amounted to approximately HK$4.0 million (2015: approximately HK$2.4 million). The increase was mainly due to the utilisation of tax loss brought forward to the Group for the year ended 31 March 2015 had been fully consumed prior to the end of the Reporting Year.

Profit and total comprehensive income

Profit and total comprehensive income for the Reporting Year amounted to approximately HK$27.8 million (2015: approximately HK$21.1 million). The increase was mainly attributable to the decrease in listing expenses incurred for the Reporting Year to approximately HK$1.4 million (2015: approximately HK$9.0 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group had net current assets of approximately HK$86.2 million (2015: approximately HK$58.1 million). The increase in net current assets was mainly due to the increase in trade and other receivables to approximately HK$141.2 million for the Reporting Year (2015: approximately HK$130.9 million), which was mainly due to the increase in trade receivables, retention receivables, and prepayments, deposits and other receivables due to works completed and certified in February 2016 while relevant payments from customers were received subsequent to March 2016.

The current ratio of the Group as at 31 March 2016 was approximately 1.35 times (2015: approximately 1.25 times). The increase was mainly due to the increase in trade and other receivables to approximately HK$141.2 million for the Reporting Year (2015: approximately HK$130.9 million) with the aforementioned reasons, representing an increase of approximately 7.3%.

The cash and cash equivalents for the Reporting Year amounted to approximately HK$107.2 million (2015: approximately HK$78.8 million). The increase was mainly resulted from the proceeds from placing of the Shares of the Company upon listing on the GEM of the Stock Exchange.

The gearing ratio, calculated based on the total debt (including borrowings and finance lease payables) divided by total equity, was approximately 70.2% as at 31 March 2016 (2015: approximately 95.5%). The decrease was mainly due to our significantly higher equity as at 31 March 2016 of approximately HK$103.3 million (2015: approximately HK$77.4 million) as a result of the profitable operation of the Group, and the increase in capital and reserves of the Group subsequent to the successful listing of the Company on the GEM of the Stock Exchange on 27 March 2015.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM 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 2016, 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$3.8 million as at 31 March 2016 (2015: approximately HK$5.3 million). As at 31 March 2016, the Group did not have any significant capital commitments (2015: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed in 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 Reporting Year, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS

As at 31 March 2016, the Group did not hold any significant investments (2015: Nil).

CONTINGENT LIABILITIES

As at 31 March 2016, the Group was involved in certain litigations, details of which are set out in Note 34 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The Group was not exposed to foreign exchange risk during the Reporting Year (2015: 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 76% of which was derived from two major customers as at 31 March 2016 (2015: approximately 93%). 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 nonperformance 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 2016, the Group pledged bank deposits amounted to approximately HK$66.7 million (2015: approximately HK$53.7 million) as securities for banking facilities.

Further details of the banking facilities granted to the Group are set out in Note 25 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group employed a total of 444 employees, comprising 277 staff employed on a full-time basis and 167 casual workers. Staff costs, including Directors' emoluments, of the Group amounted to approximately HK$101.8 million for the Reporting Year (2015: approximately HK$86.0 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.

LITIGATIONS

As at 31 March 2016, the Group was involved in certain litigations, details of which are set out in Note 34 to the consolidated financial statements.

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.

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 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 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 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 year ended 31 March 2016.

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 year ended 31 March 2016.

BOARD OF DIRECTORS

As at 31 March 2016, 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.

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 6 to 9 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 measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

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 2016.

ATTENDANCE RECORDS OF MEETINGS

Code Provision A.1.1 prescribes that at least four regular board meetings should be held in each year at approximately quarterly intervals with active participation of majority of Directors, either in person or through electronic means of communication.

The Company convened and held four regular Board meetings during the year ended 31 March 2016.

Additional Board meetings will be convened, as and when required, to deal with ad hoc issues. Any Director who is not able to present physically may participate at any Board meeting through electronic means of communication, such as conference telephone or other similar communication equipment, in accordance with the Articles.

Notice convening each regular Board meeting is sent at least 14 days in advance, and reasonable notice is given for other Board meetings and committee meetings. The company secretary assists the Chairman to prepare the meeting notice and agenda. Each Director may include any item in the agenda. The agenda, accompanied by meeting papers with sufficient and reliable information, are sent to each Director at least 3 days before each Board meeting or committee meeting to enable the Directors to make informed decisions on the matters to be discussed, except where a Board meeting or committee meeting is convened on a very urgent basis to consider any urgent ad hoc matter.

The company secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes will normally be circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

During the Reporting Year, four regular Board meetings, one Audit Committee meeting, one Remuneration Committee meeting, one Nomination Committee meeting and the 2015 annual general meeting ("**AGM**") were held. Details of individual Directors' attendance at these meetings are set out in the following table

	Attended/Eligible to attend				
Directors	**Regular Board Meeting**	**Audit Committee Meeting**	**Remuneration on Committee Meeting**	**Nomination Committee Meeting**	**AGM**
Executive Directors					
Mr. Wong Yee Tung, Tony	4/4	N/A	1/1	N/A	1/1
Mr. Kwong Wing Kie	4/4	N/A	N/A	1/1	1/1
Mr. Chung Chi Ngong	4/4	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. Ho Ho Ming	4/4	1/1	N/A	1/1	1/1
Prof. Lam Sing Kwong, Simon	4/4	1/1	1/1	1/1	1/1
Mr. Chan Chung Kik, Lewis	4/4	1/1	1/1	N/A	1/1

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 2016 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

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.

The Company has taken 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 alias, 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 year ended 31 March 2016, 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

BOARD COMMITTEES

The Board has established four board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") and the risk management committee (the "**Risk Management Committee**"). Except for the Risk Management Committee, the written terms of reference 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 2016 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 2016 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 2016.

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 2016.

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 2016.

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.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 March 2016 is set out below:

Remuneration band	Number of persons
Less than HK$500,000	1
HK$500,001 to HK$1,000,000	3
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 Notes 13 and 14 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 2016, 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, SHINEWING (HK) CPA 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.

AUDITOR'S REMUNERATION

SHINEWING (HK) CPA Limited was appointed as the external auditor of the Company. For the year ended 31 March 2016, the total fees paid and payable to SHINEWING (HK) CPA Limited amounted to approximately HK$0.6 million, representing fees for statutory audit services.

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 2016. 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 2016.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during the year ended 31 March 2016.

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.

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 are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are set out in Note 1 to the consolidated financial statements. There was no significant change in the Group's principal activities during the Reporting Year.

FINANCIAL RESULTS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 49 of the annual report.

USE OF PROCEEDS

The net proceeds from the listing of the Company (after deducting related expenses) amounted to approximately HK$26.7 million. As at 31 March 2016, the Group has used up approximately HK$22.9 million of the net proceeds in accordance with the proposed usage set out in the section headed "Statement of business objectives and use of proceeds – Reasons for the Placing and use of proceeds" of the Prospectus of the Company dated 23 March 2015.

BUSINESS REVIEW

Further discussion and analysis of the business activities of the Group, including a business review of the Group for the Reporting Year and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis as set out on pages 10 to 20 of this annual report. These discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, the principal risks and uncertainties faced by the Group are set out below:

Our Group relies on the contracts granted by the Government, and our Group's business, results of operations and profitability may be adversely affected if we fail to secure contracts from the Government or there is any significant reduction of such contracts in the future

During the three years ended 31 March 2016, the customer base of our Group was highly concentrated. Revenue generated from Government contracts represented approximately 97.7%, 100.0% and 90.5% respectively of our Group's total revenue for each of the three years ended 31 March 2016. Contracts from the Government are normally awarded to contractors on the Contractor List and the Specialist List by way of public tender. Approved contractors on the Contractor List and approved specialist contractors on the Specialist List are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management and safety are maintained by those contractors carrying out the Government's works. An approved contractor could be prohibited from tendering for public works of the relevant category during a suspension period if a serious construction accident occurs at a construction site for which such contractor is responsible for the safety performance of such contractor is not satisfactory. There is no assurance that serious accident will not occur at construction sites for which we are responsible, or that we will not be subject to regulatory actions in the future which may have an adverse impact on our overall operations or on our eligibility to tender for public works of the Government. In the event that our Group fails to secure contracts from the Government or there is significant reduction of contracts from the Government in the future, our Group's business, results of operations and profitability may be adversely affected.

Our revenue is mainly derived from projects which are not recurring in nature and any significant decrease in the number of our projects would affect our operations and financial results

All of our revenue during the three years ended 31 March 2016 was derived from undertaking (i) waterworks engineering services; (ii) road works and drainage services and site formation works; (iii) LPM Services; and (iv) building works as a contractor in Hong Kong. Our engagements with customers were on a project basis and non-recurring in nature. We did not enter into any long term agreement or master service agreement with our customers as at the date of this announcement. After completion of the projects, our customers are not obliged to engage us again in subsequent projects, and we have to undergo the tendering process for every new project. There is no assurance that our existing customers will award new projects to us, nor can we guarantee that we would be able to maintain our business relationships with existing customers. In the event that we are unable to attract new customers or secure new projects from our existing customers, there may be a significant decrease in our revenue, and our operations and financial results would hence be adversely affected.

Our Group's business is labour-intensive. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour costs, our operations and financial results would be adversely affected

Our construction works are labour-intensive in nature. During the three years ended 31 March 2016, our Group and our subcontractors did not experience any material shortage of labour, industrial actions, strikes or material increase in labour costs. However, there is no assurance that we will not experience these problems in the future when the peak load of construction activities is ongoing. In the event that there is a significant increase in the costs and demand of labour and we have to retain our labour by increasing their wages, our staff cost and/or subcontracting cost will increase and thus lower our profitability. On the other hand, if we or our subcontractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on schedule and within budget, our Group's operations and profitability may be adversely affected.

Delay in the commencement of public projects, which may be caused by factors such as political disagreements, delay in approval of funding proposals, and the occurrence of large scale demonstration or occupation activities may adversely affect our operations and results of operation.

Delay in the commencement of public projects may be caused by factors such as political disagreements in relation to such projects, delay in approval of the funding proposals for public works due to political filibustering by law-makers and objections, protests or legal actions by affected residents or entities. Any large-scale protests or occupation activity may also delay the construction works to be carried out in the affected areas. Our engagement in public projects depend on the timing of the funding approval by the committees of the Legislative Council of Hong Kong, where filibustering by the members thereof has often led to delays in the passing of public works funding proposals in recent years. Any change of the political environment in Hong Kong may affect the economy and construction industry in the region, which may adversely affect our operations and results of operations. The delay in the commencement of public projects may affect the utilisation of our equipment and our results of operation if we are not able to engage our equipment for other projects at the same or similar level. Further, the uncertainty on the commencement the relevant projects also make it more difficult for us to make accurate planning for the demand, deployment, utilisation of our equipment, which may adversely affect our operations and financial performance.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is dedicated to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilised. We strive to become an environmental-friendly corporation, and that we participated in the Ex-gratia Payment Scheme initiated by the Environmental Protection Department and we phased out 8 Pre-Euro IV Diesel Commercial Vehicles possessed by our Group during the Reporting Year.

We have an environmental management plan for each contract undertaken by our Group, which sets out our general environmental policies, organisational structure and responsibilities of our environmental protection team, in-house rules and regulations, environmental performance monitoring, implementation measures, waste management measures and review of requirements.

The Group and its business activities are subject to requirements under various laws. The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), and Immigration Ordinance (Chapter 115 of the Laws of Hong Kong). The Group has put in place in-house rules containing measures and work procedures to ensure that the Group's operation is in compliance with the applicable laws and regulations.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors are of view that employees, customers and business partners are the keys to the sustainable development of the Group. Our Directors believe that our Group maintains good working relations with its employees and business partners and it endeavours to improving the quality of services to the customers.

Employees are regarded as the most important and valuable assets of the Group. We provide various types of trainings to our employees, including (i) conducting in-house continuous professional development seminars; (ii) subsidizing our staff for pursuing further studies in related fields; and (iii) provision of safety training programme to staff to enhance their safety awareness.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Year, the largest customer accounted for approximately 51.0% (2015: 53.5%) of the Group's total revenues. The five largest customers accounted for approximately 86.2% (2015: 100.0%) of the Group's total revenue for the Reporting Year.

The Group five largest suppliers together accounted for approximately 39.0% (2015: 45.5%) of the Group's total cost of services for the Reporting Year. The largest subcontractor accounted for approximately 11.3% (2015: 15.2%) of the total cost of services of the Group for the Reporting Year.

U-Tech, being the largest supplier of the Group, is a connected person of our Company in respect of Kwan On – U-Tech 1 as disclosed in the section headed "Connected Transactions".

Other than as set out in the paragraph above, to the best knowledge of the Directors, neither the Directors, their associates, nor any Shareholders, who owned more than 5% of the Company's issued voting shares, had any beneficial interest in any of the Group's five largest customers or suppliers during the Reporting Year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Year are set out in Note 17 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.

(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.

SHARE CAPITAL

Details of movements in share capital of the Company during the Reporting Year are set out in Note 27 to the financial statements

RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Year are set out in Note 32(c) to the financial statements and in the consolidated statement of changes in equity, respectively.

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 during the Reporting Year.

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.

REPORT OF DIRECTORS

DIRECTORS

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

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

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.

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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 6 to 9 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.

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.

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 2016. 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.

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 Notes 13 and 14 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.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report, there was no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the GEM Listing Rules for the year ended 31 March 2016.

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 ORANY OTHER ASSOCIATED CORPORATION

As at 31 March 2016, 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 shareholdings involved
Mr. Wong (Notes 1 to 3)	Interest of controlled corporation	720,000,000 (L)	75.00%
Mr. Kwong (Notes 2 and 4)	Interest of controlled corporation	332,028,000 (L)	34.59%

L: Long positions

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. 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.

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 2016, 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 shareholdings involved
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)	Interest of spouse	720,000,000 (L)	75.00%

L: Long positions

Notes:

1. The issued share capital of the 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. Wong.

4. The entire issued share capital of Decade Success is legally and beneficially owned by Mr. Kwong.

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

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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the significant related party and connected transactions of the Group are set out in Note 31 to the consolidated financial statements. The related party transactions set out in Note 31 to the consolidated financial statements were fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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

On 29 July 2012, Kwan On Construction, 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.

Joint operation formed by Kwan On Construction and U-Tech

On 16 December 2013, Kwan On Construction and U-Tech entered into an agreement pursuant to which Kwan On Construction 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 2016, 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 Construction (as main contractor) and U-Tech (as subcontractor) entered into two articles of agreement pursuant to which Kwan On Construction 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 Construction and DSD for project DC/2012/05. The subcontract sum shall be payable by Kwan On Construction 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 Construction. The contract sum paid by Kwan On Construction. to U-Tech under the DC/2012/05 Subcontracting Arrangement for the year ended 31 March 2016 amounted to approximately HK$8.2 million.

(2) on 16 October 2012, Kwan On Construction (as main contractor) and U-Tech (as subcontractor) entered into the articles of agreement pursuant to which Kwan On Construction 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 Construction and WSD for project 15/WSD/11. The subcontract sum shall be payable by Kwan On Construction 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 Construction. The contract sum paid by Kwan On Construction to U-Tech under the 15/WSD/11 Subcontracting Arrangement for the year ended 31 March 2016 amounted to approximately HK$6.0 million.

(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 2016 amounted to approximately HK$3.5 million.

(4) on 18 September 2013, Kwan On Construction (as main contractor) and U-Tech (as subcontractor) entered into the articles of agreement pursuant to which Kwan On Construction 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 Construction and CEDD for project KL/2012/03. The subcontract sum shall be payable by Kwan On Construction 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 Construction. The contract sum paid by Kwan On Construction to U-Tech under the KL/2012/03 Subcontracting Arrangement for the year ended 31 March 2016 amounted to approximately HK$43.3 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.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance advisor, Dakin Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 1 February 2016 (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.

CHANGE IN COMPLIANCE ADVISER

The Company and Messis Capital Limited ("**MCL**") have mutually agreed to terminate the compliance adviser agreement dated 31 July 2014 entered into between the Company and MCL with effect from 1 February 2016 (the "**Termination**") due the consideration of fee levels. Subsequent to the Termination, Dakin Capital Limited has been appointed as the new compliance adviser to the Company pursuant to Rule 6A.27 of the GEM Listing Rules. For further details, please refer to the announcement of the Company dated 1 February 2016.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors.

EVENTS AFTER THE REPORTING PERIOD

Except for certain litigations taken place subsequent to 31 March 2016 as disclosed in Note 34 to the consolidated financial statements, there are no other significant event which have taken place subsequent to the end of the Reporting Year.

DONATIONS

No donations had been made by the Group during the Reporting Year (2015: Nil).

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group, discussed internal controls and financial reporting matters and the audited consolidated financial statements for the year ended 31 March 2016.

AUDITORS

The Company has nominated SHINEWING (HK) CPA Limited as the auditor of the Group with effect from 11 November 2015 until conclusion of the forthcoming general meeting of the Company to fill the casual vacancy following the retirement of BDO Limited which took effect from 29 September 2015.

The consolidated financial statements for the year ended 31 March 2016 have been audited by SHINEWING (HK) CPA Limited, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

Save as disclosed above, there has been no other change in auditor of the Company in any of the preceding three years.

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

Hong Kong, 3 May 2016

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

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 set out on pages 49 to 125 which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 of the Company 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 and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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.

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 of the Company, 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 financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matter

The consolidated financial statements of the Company for the year ended 31 March 2015 were audited by another auditor who expressed an unqualified opinion on those statements on 26 June 2015.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
3 May 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Revenue	9	**719,770**	693,150
Cost of services		**(662,485)**	(640,336)
Gross profit		**57,285**	52,814
Other income	9	**3,372**	2,735
Other gain and loss	9	**(493)**	224
Administrative expenses		**(23,917)**	(29,815)
Finance costs	10	**(4,462)**	(2,514)
Profit before tax		**31,785**	23,444
Income tax expense	11	**(4,006)**	(2,364)
Profit and total comprehensive income for the year	12	**27,779**	21,080
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**27,003**	17,410
Non-controlling interests		**776**	3,670
		27,779	21,080
Earnings per share			
Basic and diluted (HK cents)	16	**2.81**	2.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current asset			
Property, plant and equipment	17	**8,817**	11,753
Prepayments	19	**8,422**	8,040
		17,239	19,793
Current assets			
Inventories	18	**11,670**	17,632
Amounts due from customers for contract work	20	**1,567**	–
Trade and other receivables	19	**141,200**	130,896
Tax recoverable		**3,934**	3,268
Amounts due from shareholders	21	**–**	9,492
Amounts due from other partners of joint operations	28	**484**	241
Pledged bank deposits	22	**66,729**	53,689
Bank balances and cash	22	**107,150**	78,781
		332,734	293,999
Current liabilities			
Amounts due to customers for contract work	20	**30,226**	23,354
Trade and other payables	23	**139,797**	138,742
Amount due to other partner of a joint operation	28	**27**	–
Bank borrowings	25	**72,441**	73,624
Finance lease payables	24	**115**	121
Income tax payable		**3,966**	38
		246,572	235,879
Net current assets		**86,162**	58,120
Total assets less current liabilities		**103,401**	77,913

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Finance lease payables	24	**–**	115
Deferred tax liability	26	**57**	433
		57	548
NET ASSETS		**103,344**	77,365
Capital and reserves			
Share capital	27	**9,600**	9,600
Reserves		**89,085**	62,082
Equity attributable to owners of the Company		**98,685**	71,682
Non-controlling interests		**4,659**	5,683
TOTAL EQUITY		**103,344**	77,365

The consolidated financial statements on pages 50 to 126 were approved and authorised for issue by the board of directors on 3 May 2016 and are signed on its behalf by:

Mr. Wong Yee Tung, Tony
Director

Mr. Kwong Wing Kie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (Note a)	Contributed surplus HK$'000 (Note b)	Capital reserve HK$'000 (Note c)	(Accumulated losses) retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 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(ii))	(32,733)	–	32,733	–	–	–	–	–	–
Distribution paid to non-controlling interests	–	–	–	–	–	–	–	(2,400)	(2,400)
Issue of shares upon group reorganisation (Note 27(iii))	10	–	(22,978)	22,968	–	–	–	–	–
Capitalisation issue of shares (Note 27(iv))	8,390	(8,390)	–	–	–	–	–	–	–
Issue of shares by placing (Note 27(v))	1,200	34,800	–	–	–	–	36,000	–	36,000
Share issuance expenses	–	(2,599)	–	–	–	–	(2,599)	–	(2,599)
Reimbursement of listing expenses by certain shareholders	–	–	–	–	7,453	–	7,453	–	7,453
At 31 March 2015	9,600	23,811	9,755	22,968	12,544	(6,996)	71,682	5,683	77,365
At 1 April 2015	9,600	23,811	9,755	22,968	12,544	(6,996)	71,682	5,683	77,365
Profit and total comprehensive income for the year	–	–	–	–	–	27,003	27,003	776	27,779
Distribution paid to non-controlling interests	–	–	–	–	–	–	–	(1,800)	(1,800)
At 31 March 2016	9,600	23,811	9,755	22,968	12,544	20,007	98,685	4,659	103,344

Note a: 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.

Note b: 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 (the "**Reorganisation**") that were completed on 16 March 2015.

Note c: 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 Investments Limited ("**Fortune Decade**") and Twilight Treasure Limited ("**Twilight Treasure**"), 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 ended 31 March 2015 and reimburse their share of these expenses to the Company upon the listing of shares of the Company on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**31,785**	23,444
Adjustments for:		
Depreciation of property, plant and equipment	**4,991**	4,580
Finance costs	**4,462**	2,514
Interest income	**(91)**	(38)
Loss (gain) on disposal of property, plant and equipment	**493**	(224)
Imputed interest on non-current retention receivables	**(823)**	(279)
Write-down of inventories	**–**	490
Operating cash flows before movements in working capital	**40,817**	30,487
Decrease (increase) in inventories	**5,962**	(6,044)
Increase (decrease) in amounts due from customers for contract work	**(1,567)**	–
Increase in trade and other receivables	**(9,863)**	(48,963)
(Decrease) increase in trade and other payables	**(261)**	74,090
Increase in amounts due from other partners of joint operations	**(243)**	(198)
Increase (decrease) in amount due to other partner of a joint operation	**27**	(44)
Increase (decrease) in amounts due to customers for contract work	**6,872**	(43,379)
Cash generated from operations	**41,744**	5,949
Hong Kong Profits Tax paid, net	**(1,120)**	(10,887)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**40,624**	(4,938)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(2,872)**	(6,731)
Proceeds from disposal of property, plant and equipment	**324**	320
Placement of pledged bank deposits	**(446,882)**	(475,835)
Withdrawal of pledged bank deposits	**433,842**	446,837
Interest received	**91**	38
Repayment from (advance to) shareholders	**9,492**	(1,951)
NET CASH USED IN INVESTING ACTIVITIES	**(6,005)**	(37,322)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**481,834**	225,382
Repayment of bank borrowings	**(483,017)**	(181,248)
Repayment of loan from an independent third party	**–**	(12,000)
Proceeds from issue of ordinary shares	**–**	36,000
Share issuance expenses	**–**	(2,599)
Repayment of advances from directors	**–**	(1,950)
Repayment to a related party	**–**	(3,000)
Repayment of advance from a related company	**–**	(1,675)
Repayment of finance lease payables	**(121)**	(118)
Interest paid	**(3,146)**	(2,392)
Distribution paid to non-controlling interests	**(1,800)**	(2,400)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(6,250)**	54,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	**28,369**	11,740
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**78,781**	67,041
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**107,150**	78,781

1. GENERAL INFORMATION

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, the Cayman Islands. 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 GEM of the Stock Exchange on 27 March 2015.

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.

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.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the reorganisation as detailed in section headed "History and Development" in the prospectus of the Company dated 23 March 2015, the Company became the holding company of the subsidiaries now comprising the Group on 16 March 2015. The group reorganisation involved the combination of a number of entities 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**") that were under common control before and after the **Reorganisation**. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group has been prepared on the basis as if the Company had always been the holding company of the companies comprising the Group throughout the year ended 31 March 2015, using the principles of merger accounting.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows including the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the year ended 31 March 2015 or since their respective dates of incorporation or establishment up to 31 March 2015. All significant intra-group transactions and balances have been eliminated on consolidation.

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

In the current year, the Group has adopted the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("**HKAS(s)**"), amendments and Interpretations ("**Int(s)**") issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Annual Improvements to HKFRSs 2010 – 2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

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

Annual Improvements to HKFRSs 2010 – 2012 Cycle (Continued)

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors consider that the application of the amendments to HKFRSs 2010 – 2012 Cycle has had no material impact in the Group's consolidated financial statements.

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

Annual Improvements to HKFRSs 2011 – 2013 Cycle

The Annual Improvements to HKFRSs 2011 – 2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The amendments are applied prospectively. The Directors consider that the application of the amendments to HKFRSs 2011-2013 Cycle has had no material impact on the Group's consolidated financial statements.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan's contribution formula or on a straight-line basis.

Besides, the amendments also states that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

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

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions (Continued)

The Directors consider that the application of the amendments to HKAS 19 Defined Benefit Plans: Employee Contributions has had no material impact on the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective date not yet been determined.

The Directors anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) 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.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Annual Improvements to HKFRSs 2012 – 2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

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

New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2012 – 2014 Cycle (Continued)

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

(i) when the intangible asset is expressed as a measure of revenue; and

(ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight-line method for depreciation of property, plant and equipment, the Directors do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The Directors anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

Control is achieved where the Group has:

(i) the power over the investee;

(ii) exposure, or rights, to variable returns from its involvement with the investee; and

(iii) the ability to use its power over the investee to affect the amount of the Group's returns.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Merger accounting for business combination involving entities under common control

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

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business, net of discounts and sales related taxes.

The Group's policy for recognition of service income from provision of construction and maintenance works on civil engineering contracts in respect of buildings, waterworks, site formation, road works and drainage and slope upgrading from construction contracts is set out in the accounting policy headed "Construction contracts" below.

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

Consultancy fee income is recognised when the respective services are rendered.

Construction contracts

Where the outcome of a construction contract in relation to provision of construction and maintenance works on civil engineering contracts can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts (Continued)

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

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of services or administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prvailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Provisions

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

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

Interests in joint operations

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

The Group, as a joint operator, recognises in relation to its interest in a joint operation:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in joint operations (Continued)

When a group entity enters into a transaction with a joint operation in which the group entity is a joint operator, such as a sale or contribution of assets, the Group is considered to be conducting the transaction with the other parties to the joint operation and the Group recognises gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

When a group entity enters into a transaction with a joint operation in which the group entity is a joint operator, such as a purchase of assets, the Group recognises its share of the gains and losses until it resells those assets to a third party.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Borrowing costs

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

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

Retirement benefits costs

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

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Impairment loss on financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

Objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 21 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and 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 the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable, other receivable or deposits are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to other partner of a joint operation, finance leases payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the entity's accounting policies

The following are the critical judgments, apart from those involving estimation (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

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

Critical judgements in applying the entity's accounting policies (Continued)

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 results of Kwan On – U-Tech 1.

Joint operations

The Group formed four unincorporated joint ventures, Kwan On – U-Tech Joint Venture 2 ("**Kwan On – U-Tech 2**"), Kwan On – China Geo Joint Venture ("**Kwan On – China Geo**"), Kwan On – China Geo Joint Venture 2 ("**Kwan On – China Geo 2**"), KO-CG Joint Venture 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 of the Company 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 2. Under the joint venture agreement, the Group and China Geo have participation share of 51% and 49% respectively to the surplus, loss, assets, liabilities, right and obligation arising out of or in connection with the contract in Kwan On – China Geo 2. Therefore, the Directors of the Company have determined that the joint arrangement is a joint operation.

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

Critical judgements in applying the entity's accounting policies (Continued)

Joint operations (Continued)

The Group and China Geo jointly control over the relevant activities of KO-CG Joint Venture. Under the joint venture agreement, the Group and China Geo have participation share of 50% and 50% respectively to the surplus, loss, assets, liabilities, right and obligation arising out of or in connection with the contract in KO-CG Joint Venture. Therefore, the Directors of the Company have determined that the joint arrangement is a joint operation.

Key sources of estimation uncertainty

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

Construction contracts revenue recognition

The Group recognises contract revenue and profit of a construction contract in relation to provision of construction and maintenance works on civil engineering contracts in respect of buildings, waterworks, site formation, road works and drainage and slope upgrading according to the management's estimation of the total outcome of the contract including the assessment of profitability of on-going construction contracts as well as the percentage of completion of construction works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit or loss recognised.

Income tax

As at 31 March 2016, no deferred tax asset has been recognised on the tax losses of approximately HK$62,441,000 (2015: HK$86,052,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

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

Key sources of estimation uncertainty (Continued)

Impairment of trade receivables and other receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2016, the carrying amount of trade and other receivables is approximately HK$149,622,000 (2015: HK$138,936,000), net of allowance for doubtful debts of approximately HK$1,115,000 (2015: HK$1,115,000).

Impairment of inventories

The management of the Group reviews an ageing analysis of inventories at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, the costs necessary to make the sale and current market conditions. As at 31 March 2016, the carrying amounts of inventories were approximately HK$11,670,000 (2015: HK$17,632,000), net of accumulated impairment loss of approximately HK$1,560,000 (2015: HK$1,682,000).

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. Management will increase the depreciation where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods. The carrying amounts of property, plant and equipment as at 31 March 2016 is approximately HK$8,817,000 (2015: HK$11,753,000).

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategies remain unchanged from prior year.

The Group manages its capital structure and make 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 capital structure of the Group consists of net debt, which includes the finance lease payables and secured bank borrowings as disclosed in notes 24 and 25 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure using 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, bank borrowings, amount due to other partner of a joint operation and less bank balances and cash. Capital includes equity attributable to owners of the Company.

	2016 **HK$'000**	2015 HK$'000
Total debt	**242,606**	235,956
Less: Bank balances and cash	**(107,150)**	(78,781)
Net debt	**135,456**	157,175
Equity attributable to the owners of the Company	**98,685**	71,682
Net debt and equity	**234,141**	228,857
Gearing ratio	**58%**	69%

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016	2015
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**304,610**	260,307
Financial liabilities		
Financial liabilities at amortised cost	**212,380**	212,602

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, pledged bank deposits, amount due from/(to) shareholders and other partners of joint operations, trade and other payables, finance lease payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate interest bearing finance lease payables (see note 24). The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank and bank borrowings at prevailing market rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the related bank's Hong Kong Dollars Prime Rate arising from the Group's HK$ denominated bank borrowings.

7. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank balances and bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 25 basis point and 50 basis point (2015: 25 basis points and 50 basis points) increase or decrease is used on bank balances and bank borrowings respectively when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The sensitivity analysis calculation for decrease in interest rate in respect of bank balances excluded bank balances of HK$120,826,000 (2015: HK$124,382,000) at 31 March 2016, which carried interest rate below 0.25%.

If interest rates on bank balances had been 25 basis points (2015: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would increase/decrease by approximately HK$12,000 (2015: HK$17,000).

If interest rates on bank borrowings had been 50 basis points (2015: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK$302,000 (2015: HK$307,000).

Credit risk

As at 31 March 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of Group's trade and retention receivables is concentrated, since 76% of which was derived from two major customers as at 31 March 2016 (2015: 93%).

7. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

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 credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by authorised credit – rating agency.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and other source of funding and considers the risk is minimal.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. 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, secured bank borrowing 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 rate curve at the end of each reporting period.

7. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	On demand or within one year HK$'000	More than one year but not exceeding two years HK$'000	More than two year but not exceeding five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2016					
Trade and other payables	**129,351**	**10,446**	**–**	**139,797**	**139,797**
Amount due to other partner of a joint operation	**27**	**–**	**–**	**27**	**27**
Finance lease payables	**116**	**–**	**–**	**116**	**115**
Bank borrowings	**73,410**	**–**	**–**	**73,410**	**72,441**
	202,904	**10,446**	**–**	**213,350**	**212,380**
As at 31 March 2015					
Trade and other payables	126,172	12,570	–	138,742	138,742
Finance lease payables	127	116	–	243	236
Bank borrowings	74,418	–	–	74,418	73,624
	200,717	12,686	–	213,403	212,602

Bank loans with a repayment on demand clause are included in the "on demand or within one year time band in the above maturity analysis. As at 31 March 2016, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$72,441,000 (2015: HK$73,624,000). Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$73,410,000 (2015: HK$74,812,000).

7. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value measurements recognised in the consolidated statement of financial position

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of current financial assets and current financial liabilities in the consolidated financial statements approximate their fair values.

8. SEGMENT INFORMATION

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 managing director, being the 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.

8. SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2016 HK$'000	2015 HK$'000
The Government of the Hong Kong Special Administrative Region (The "**Hong Kong Government**")		
– Water Supplies Department	**215,830**	265,811
– Civil Engineering and Development Department	**365,770**	370,938

9. REVENUE, OTHER INCOME AND OTHER GAIN AND LOSS

Revenue

During the year, the Group's revenue represents amount received and receivable from contract work performed, which is also the Group's turnover.

Other income and other gain and loss

An analysis of the Group's other income and other gain and loss recognised during the years are as follows:

	2016 HK$'000	2015 HK$'000
Other income		
Bank interest income	**91**	38
Income from sale of scrap materials	**–**	97
Imputed interest on non-current retention receivables	**823**	279
Ex-gratia payment from the government for retirement of motor vehicles	**974**	1,343
Consultancy fee income	**798**	375
Sundry income	**686**	603
	3,372	2,735
Other gain and loss		
(Loss) gain on disposal of property, plant and equipment	**(493)**	224

10. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interests on:		
– finance lease	**6**	9
– bank overdrafts	**–**	42
– bank loans	**3,140**	2,341
Imputed interest expense on non-current retention payables	**1,316**	122
	4,462	2,514

11. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
Current tax:		
Hong Kong	**4,484**	2,617
Overprovision in prior years	**(102)**	(172)
	4,382	2,445
Deferred tax (note 26)		
Current year	**(376)**	(81)
Income tax expense for the year	**4,006**	2,364

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits during the year.

11. INCOME TAX EXPENSE (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Profit before tax	**31,785**	23,444
Tax expense at rates applicable to profits in the jurisdiction concerned	**5,245**	3,868
Tax effect of income not taxable for tax purpose	**(15)**	(6)
Tax effect of expenses not deductible for tax purpose	**773**	2,208
Tax effect of tax losses not recognised	**569**	1,168
Utilisation of tax losses not recognised	**(4,465)**	(3,209)
Overprovision in prior years	**(102)**	(172)
Tax effect of deductible temporary differences not recognised	**508**	–
Tax effect of taxable temporary differences not recognised	**1,493**	(1,493)
Income tax expense for the year	**4,006**	2,364

Details of deferred tax liability are set out in note 26.

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 during the year ended 31 March 2014. As at 31 March 2016, 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.

11. INCOME TAX EXPENSE (CONTINUED)

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 2016, 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.

12. PROFIT FOR THE YEAR

The Group's profit for the year has been arrived at after charging:

	2016 **HK$'000**	2015 HK$'000
Auditor's remuneration	**600**	858
Depreciation	**4,991**	4,580
Write-down of inventories	**–**	490
Operating lease rentals in respect of		
– Land and buildings	**4,346**	3,028
– Plant and equipment	**1,124**	1,063
Emoluments of directors and chief executive (note 13)	**4,445**	3,836
Salaries, wages and other benefits (excluding directors' emoluments)	**93,690**	78,948
Contribution to defined contribution retirement benefits scheme (excluding directors)	**3,640**	3,174
	101,775	85,958

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 6 (2015: 6) directors and the chief executive were as follows:

	Year ended 31 March 2016			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Mr. Chung Chi Ngong	–	1,003	50	1,053
Mr. Kwong Wing Kie ("**Mr. Kwong**")	–	1,292	18	1,310
Mr. Wong Yee Tung, Tony ("**Mr. Wong**")	–	1,632	–	1,632
Independent non-executive directors				
Mr. Lam Sing Kwong, Simon	150	–	–	150
Mr. Ho Ho Ming	150	–	–	150
Mr. Chan Chung Kik, Lewis	150	–	–	150
Total emoluments	450	3,927	68	4,445

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

Year ended 31 March 2015

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:				
Mr. Chung Chi Ngong	–	924	46	970
Mr. Kwong	–	1,283	17	1,300
Mr. Wong	–	1,560	–	1,560
Independent non-executive directors				
Prof. Lam Sing Kwong, Simon	2	–	–	2
Mr. Ho Ho Ming	2	–	–	2
Mr. Chan Chung Kik, Lewis	2	–	–	2
Total emoluments	6	3,767	63	3,836

Neither the chief executive, Mr. Wong, nor any of the directors waived any emoluments in the year ended 31 March 2016 and 2015.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2015: three) were directors of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining two (2015: two) individuals were as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	**1,984**	2,001
Contributions to retirement benefits schemes	**60**	35
	2,044	2,036

Their emoluments were within the following bands:

	2016 Number of individuals	2015 Number of Individuals
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1

During the years ended 31 March 2016 and 2015, no emoluments were paid by the Group to any of the Directors or chief executive or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

16. EARNINGS PER SHARE

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

Earnings

	2016	2015
	HK$'000	HK$'000
Earnings for the purpose of basic earnings per share	**27,003**	17,410

Number of shares

	2016	2015
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**960,000**	841,644

Weighted average of approximately 841,644,000 ordinary shares for the year ended 31 March 2015, was 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 840,000,000 ordinary shares which represented the number of shares in issue immediately after the completion of capitalisation issue of shares as detailed in Note 27 (iv).

Since there were no potential dilutive shares in issue during the year ended 31 March 2016 and 2015, basic and diluted earnings per share are the same for both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK'000	Furniture and fixtures HK'000	Machinery HK'000	Motor vehicles HK'000	Total HK'000
COST					
At 1 April 2014	–	5,775	14,818	14,027	34,620
Additions	1,103	315	2,450	2,863	6,731
Disposals	–	–	(280)	(1,514)	(1,794)
At 31 March 2015 and 1 April 2015	1,103	6,090	16,988	15,376	39,557
Additions	–	435	1,250	1,187	2,872
Disposals	–	–	(301)	(2,134)	(2,435)
At 31 March 2016	1,103	6,525	17,937	14,429	39,994
DEPRECIATION					
At 1 April 2014	–	2,455	13,704	8,763	24,922
Charge for the year	138	1,133	827	2,482	4,580
Eliminated on disposals	–	–	(280)	(1,418)	(1,698)
At 31 March 2015 and 1 April 2015	138	3,588	14,251	9,827	27,804
Charge for the year	414	1,210	1,131	2,236	4,991
Eliminated on disposals	–	–	(292)	(1,326)	(1,618)
At 31 March 2016	552	4,798	15,090	10,737	31,177
CARRYING VALUES					
At 31 March 2016	551	1,727	2,847	3,692	8,817
At 31 March 2015	965	2,502	2,737	5,549	11,753

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	38%
Furniture and fixtures	20%-25%
Machinery	15%-25%
Motor vehicles	25%

The net book value of motor vehicles of approximately HK$3,692,000 (2015: HK$5,549,000) includes an amount of approximately HK$37,000 (2015: HK$184,000) in respect of assets held under finance leases.

18. INVENTORIES

Inventories mainly comprised construction materials and parts for various construction projects.

19. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**72,601**	91,427
Retention money receivables	**21,770**	15,763
Less: allowance for impairment of retention money receivables	**(20)**	(20)
Net retention money receivables	**21,750**	15,743
Other receivables	**36,991**	9,109
Less: allowance for impairment of other receivables	**(1,095)**	(1,095)
Other receivables, net	**35,896**	8,014
Prepayments and deposits	**19,375**	23,752
Total trade and other receivables	**149,622**	138,936
Less: Prepayments classified under non-current assets	**(8,422)**	(8,040)
	141,200	130,896

Included in other receivables of the Group is amount due from a minority venturer of a subsidiary, U-Tech Engineering Co. Ltd., amounting to approximately HK$1,517,000 as at 31 March 2016 (2015: HK$2,401,000). The balance is unsecured, interest free and repayable on demand.

The Group allows an average credit period of 21 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

	2016 HK$'000	2015 HK$'000
Within 30 days	**65,073**	66,345
More than 30 days but within 90 days	**7,443**	25,027
More than 90 days but within 180 days	**44**	13
More than 180 days but within 365 days	**41**	42
	72,601	91,427

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$7,528,000 (2015: HK$25,082,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss because they are mainly government departments of which the credit risk is minimal. The Group does not hold any collateral over these balances.

The aged analysis of trade receivables which are past due but not impaired is set out below:

	2016 HK$'000	2015 HK$'000
Within 30 days	**7,443**	25,027
More than 30 days but within 90 days	**44**	13
More than 90 days	**41**	42
	7,528	25,082

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the impairment on trade and other receivables:

	As at 31 March	
	2016	2015
	HK$'000	HK$'000
At 1 April and 31 March	**1,115**	1,115

Included in the allowance for impairment of trade and other receivables are individually impaired trade and other receivables with an aggregate balance of approximately HK$1,115,000 (2015: HK$1,115,000) which had been long outstanding. The individually impaired trade and other receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions.

20. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2016	2015
	HK$'000	HK$'000
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	**2,291,116**	1,823,267
Less: progress billings	**(2,319,775)**	(1,846,621)
At the end of the financial year	**(28,659)**	(23,354)

20. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK (CONTINUED)

	2016	2015
	HK$'000	HK$'000
Analysed for reporting purpose as:		
Amounts due from customers for contract work	**1,567**	–
Amounts due to customers for contract work	**(30,226)**	(23,354)
	(28,659)	(23,354)

As at 31 March 2016, retentions held by customers for contract work included in trade and other receivables amounted to approximately HK$21,750,000 (2015: HK$15,743,000).

21. AMOUNTS DUE FROM SHAREHOLDERS

Amounts due from shareholders were unsecured, interest-free, repayable on demand and were fully repaid during the year ended 31 March 2016.

22. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2016	2015
	HK$'000	HK$'000
Cash and bank balances	**107,150**	78,781
Short-term deposits	**66,729**	53,689
Less: pledged bank deposits	**(66,729)**	(53,689)
Cash and cash equivalents	**107,150**	78,781

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK$66,729,000 (2015: HK$53,689,000) have been pledged to secure bank overdrafts/short-term bank loans/undrawn facilities and are therefore classified as current assets.

The pledged deposits carry fixed interest rate ranged from approximately 0.1% to approximately 0.45% (2015: 0.1% to 0.2%) per annum.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with maturity within three months from initial inception. Bank balances carried interest at market rates ranging from approximately 0.5% to approximately 0.75% (2015: 0.25% to 0.5%) per annum during the year ended 31 March 2016. The bank balances are deposited with creditworthy banks with no recent history of default.

23. TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables	**77,674**	79,239
Retention payable	**37,806**	27,191
Other payables and accruals	**24,317**	32,312
	139,797	138,742

The following is an aged analysis of trade payable presented based on the invoice date at the end of the reporting period.

	2016 HK$'000	2015 HK$'000
Within 30 days	**62,073**	62,782
More than 30 days but within 90 days	**9,515**	14,693
More than 90 days	**6,086**	1,764
	77,674	79,239

The average credit period on purchases of goods is 30 to 45 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

24. FINANCE LEASE PAYABLES

	2016 HK$'000	2015 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**115**	121
Non-current liabilities	**–**	115
	115	236

It is the Group's policy to lease its motor vehicle under finance leases. The average lease term is 5 years (2015: 5). Interest rates underlying all obligations under finance leases are fixed at respective contract dates at approximately 1.6% (2015: 1.6%) per annum.

24. FINANCE LEASE PAYABLES (CONTINUED)

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases				
Within one year	**116**	127	**115**	121
After one year but within two years	**–**	116	**–**	115
	116	243	**115**	236
Less: future finance charges	**(1)**	(7)	**N/A**	N/A
Present value of obligations under finance lease	**115**	236	**115**	236
Less: amount due for settlement within 12 months (shown under current liabilities)			**(115)**	(121)
Amount due for settlement after 12 months			**–**	115

The Group's obligations under a finance lease are secured by the lessor's charge over the leased asset and denominated in HK$.

25. BANK BORROWINGS

	2016 HK$'000	2015 HK$'000
Secured bank borrowings	**72,441**	73,624

	2016 HK$'000	2015 HK$'000
Carrying amount repayable on demand or within one year	**72,441**	69,978
Carrying amount repayable after one year from the end of reporting period but contain a repayable on demand clause (shown under current liabilities)	**–**	3,646
	72,441	73,624

	2016 HK$'000	2015 HK$'000
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year or on demand	**72,441**	69,978
After one year but within two years	**–**	2,552
After two years but within five years	**–**	1,094
	72,441	73,624

During the year ended 31 March 2016, secured bank borrowing bore average floating interest rates of approximately 4% to approximately 6.75% (2015: 4% to 6.75%) per annum.

As at 31 March 2016 and 2015, the Group's bank borrowings and other banking facilities are secured by:

(a) bank deposits amounting to approximately HK$66,729,000 (2015: HK$53,689,000) as at 31 March 2016 (Note 22);

(b) personal guarantees executed by Mr. Wong and corporate guarantees given by certain entities within the Group;

(c) proceeds on certain insurance policy of a civil engineering contract undertaken by the Group.

25. BANK BORROWINGS (CONTINUED)

As at 31 March 2015, the Group's bank borrowings and other banking facilities are further secured by:

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

(b) proceeds on certain civil engineering contracts undertaken by the Group;

(c) guarantee in favour of the Group for an amount of approximately HK$4,000,000 with risk sharing factor of 80%, under The Special Loan Guarantee Scheme operated by the Hong Kong Government; and

(d) guarantee to the extent of approximately HK$4,879,000 under The SME Financing Guarantee Scheme operated by the Hong Kong Mortgage Corporation Limited.

The unutilised banking facilities as at 31 March 2016 amounted to approximately HK$56,560,000 (2015: HK$53,481,000).

26. DEFERRED TAX LIABILITY

The following are the major deferred tax liability recognised and movements thereon during the current and prior years:

	Accelerated depreciation allowances
	HK$'000
At 1 April 2014	514
Credited to profit or loss	(81)
At 31 March 2015 and 1 April 2015	433
Credited to profit or loss	(376)
At 31 March 2016	57

At the end of the reporting period, the Group has unused tax losses of approximately HK$62,441,000 (2015: HK$86,052,000) available for offset against future profits. Deferred tax asset has not been recognised in respect of the losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$3,079,000 (2015: nil) available for offset against future profits. Deferred tax asset has not been recognised in respect of the deductible temporary differences due to the unpredictability of future profit streams.

27. SHARE CAPITAL

	Number	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2014	38,000,000	380
Increase in authorised share capital on 6 March 2015 (Note (i))	1,962,000,000	19,620
At 31 March, 1 April 2015 and 31 March 2016	2,000,000,000	20,000
Issued and fully paid		
Ordinary shares of HK$0.01 each		
At 1 April 2014	1	–
Issue of shares upon Group Reorganisation (Note (iii))	999,999	10
Capitalisation issue of shares (Note (iv))	839,000,000	8,390
Issue of shares by placing (Note (v))	120,000,000	1,200
At 31 March and 1 April 2015 and 31 March 2016	960,000,000	9,600

Notes:

(i) 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.

(ii) The share capital of the Group as at 1 April 2014 represented the aggregate amount of the share capital of the subsidiaries and such amount was offset against the merger reserve upon the Reorganisation.

(iii) On 16 March 2015, the Company acquired the entire equity interest in Win Vision Holdings Limited ("**Win Vision**") from Fortune Decade and Twilight Treasure 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, all credited as fully paid.

27. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(iv) Pursuant to a written resolutions of the directors 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 (the "**Capitalisation Issue**").

(v) Under the placing took place during the year ended 31 March 2015, 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. JOINT OPERATIONS

Details of investments in joint operations as at 31 March 2016 and 2015 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 2014	Civil engineering construction	50%
Kwan On – China Geo	Unincorporated joint operation operating in Hong Kong, 12 August 2013	Civil engineering construction	51%
KO-CG Joint Venture	Unincorporated joint operation operating in Hong Kong, 23 December 2015	Civil engineering construction	51%
Kwan On – China Geo 2	Unincorporated joint operation operating in Hong Kong, 14 July 2015	Civil engineering construction	51%

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, repayable on demand and are denominated in Hong Kong dollars.

29. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2016	2015
	HK$'000	HK$'000
Within one year	**2,865**	3,013
In the second to fifth years inclusive	**980**	2,245
	3,845	5,258

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for terms ranging from one to three years.

30. RETIREMENT BENEFITS PLANS

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 (HK$1,250 prior to June 2014) per month, to the MPF Scheme, in which the contribution is matched by employees.

The total cost charged to profit or loss of approximately HK$3,708,000 (2015: HK$3,237,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

31. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with related parties:

Name of related parties	Nature of transactions	2016 HK$'000	2015 HK$'000
Ms. Chiu (c)	Rental expense (d)	**280**	260
Shiu Mau Development Limited (a)	Rental expense (d)	**923**	990
U-Tech Engineering Co. Ltd (b)	Subcontracting fee (d)	**3,461**	6,486
U-Tech Engineering Co. Ltd (b)	Consultancy fee income (d)	**495**	–

Notes:

(a) The company is partially and beneficially owned by Mr. Wong, a director of the Company.

(b) U-Tech Engineering Co. Ltd. is a minority partner of a subsidiary, Kwan On- U Tech of the Group.

(c) Ms. Chiu is a director of a subsidiary, Univic Construction Resources Limited of the Group.

(d) These transactions were carried out at terms determined and agreed by the Group and the respective related party.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2016 HK$'000	2015 HK$'000
Short term employee benefits	**5,959**	5,774
Post-employment benefits	**104**	98
	6,063	5,872

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current asset		
Investments in subsidiaries	**22,978**	22,978
Current assets		
Other receivables	**161**	–
Amounts due from shareholders (Note a)	**–**	9,462
Amounts due from a subsidiary (Note b)	**33,250**	34,612
Bank balances and cash	**2,442**	–
	35,853	44,074
Current liabilities		
Other payables	**538**	4,629
Amounts due to subsidiaries (Note b)	**13,018**	14,650
	13,556	19,279
Net current assets	**22,297**	24,795
Net assets	**45,275**	47,773
Capital and reserves		
Share capital	**9,600**	9,600
Reserves (Note c)	**35,675**	38,173
Total equity	**45,275**	47,773

(a) Amounts due from shareholders

The amounts due from shareholders were unsecured, interest-free, repayable on demand and were fully repaid during the year ended 31 March 2016.

(b) Amounts due from/to subsidiaries

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(c) 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:

	Share premium HK$'000	Contributed surplus HK$'000	Capital reserves HK$'000 (Note)	Accumulated losses HK$'000	Total HK$'000
At 31 March 2014 and 1 April 2014	–	–	–	(2,385)	(2,385)
Issue of shares upon Group reorganisation	–	22,968	–	–	22,968
Capitalisation issue of shares	(8,390)	–	–	–	(8,390)
Issue of shares by placing	34,800	–	–	–	34,800
Share issuance expenses	(2,599)	–	–	–	(2,599)
Reimbursement of listing expenses by certain shareholders	–	–	7,453	–	7,453
Loss for the year	–	–	–	(13,674)	(13,674)
As at 31 March 2015	23,811	22,968	7,453	(16,059)	38,173
Loss for the year	–	–	–	(2,498)	(2,498)
As at 31 March 2016	23,811	22,968	7,453	(18,557)	35,675

Note:

Pursuant to a written confirmation on 23 March 2015, two of the Company's shareholders, Fortune Decade and Twilight Treasure, 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 ended 31 March 2015 and reimburse their share of these expenses to the Company upon the listing of shares of the Company on the GEM of the Stock Exchange. 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.

33. PARTICULAR OF SUBSIDIARIES OF THE COMPANY

(i) General information of subsidiaries

Details of the Company's subsidiaries at 31 March 2016 and 2015 are as follows:

Name of subsidiaries	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of nominal value of issued ordinary share capital held by the Company Directly %	Indirectly %	Forms of legal entity	Principal activities
Win Vision	BVI	US$1	100	–	Wholly-owned foreign company	Investment holding
Kwan on Construction Company Limited ("**Kwan On**")	Hong Kong	HK$1	–	100	Private limited company	Civil engineering construction
Univic Engineering Limited ("**UEL**")	Hong Kong	HK$100	–	100	Private limited company	Provision of contracting work on civil plumbing, fire protection, insulation, concrete repairs and related activities
Univic Engineering & Construction Limited (Formerly known as Univic International Limited)	Hong Kong	HK$1	–	100	Private limited company	Provision of civil, plumbing and fire protection engineering contract services
Univic Earthworks Limited	Hong Kong	HK$1	–	100	Private limited company	Provision of civil and plumbing engineering contract services
Univic Building Contractors Limited	Hong Kong	HK$1	–	100	Private limited company	Provision of construction site workmen services

33. PARTICULAR OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

(i) General information of subsidiaries (Continued)

Details of the Company's subsidiaries at 31 March 2016 and 2015 are as follows: (Continued)

Name of subsidiaries	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of nominal value of issued ordinary share capital held by the Company Directly %	Indirectly %	Forms of legal entity	Principal activities
Univic Construction Resources Limited ("**UCRL**")	Hong Kong	HK$1	–	100	Private limited company	Provision of construction site workmen services
Univic Fireproofing & Construction Limited (Formerly known as Univic Fire Protection MaterialsLimited) ("**UFCL**")	Hong Kong	HK$1	–	100	Private limited company	Trading of diesel and provision of construction site workmen services
Kwan On-U-Tech 1 (Note 1)	Hong Kong	Not applicable	–	70	Private limited company	Civil engineering construction
Classic Vision Holdings Limited (Note 2)	BVI	US$1	100	–	Wholly- owned foreign company	Investment holding
Kingway Dragon Construction Limited (Note 2)	Hong Kong	HK$10,000	–	100	Private limited company	Civil engineering construction

Notes:

1. 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.

2. The subsidiaries are newly incorporated on 6 May 2015.

33. PARTICULAR OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Places of establishment/ operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
				HK$'000	HK$'000	**HK$'000**	HK$'000
Kwan On-U-Tech 1	Hong Kong	**30%**	30%	**776**	3,670	**4,659**	5,683

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

Kwan On-U-Tech 1	**2016**	2015
	HK$'000	HK$'000
Non-current assets	**404**	867
Current assets	**25,863**	28,464
Current liabilities	**(10,739)**	(10,318)
Non-current liabilities	**–**	(70)
Equity attributable to owners of the Company	**10,869**	13,260
Non-controlling interests	**4,659**	5,683

33. PARTICULAR OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Kwan On-U-Tech 1 (Continued)	2016 HK$'000	2015 HK$'000
Revenue	**82,208**	92,123
Expenses	**(79,623)**	(79,890)
Profit for the year	**2,585**	12,233
Profit for the year attributable to owners of the Company	**1,809**	8,563
Profit for the year attributable to the non-controlling interests	**776**	3,670
Profit for the year	**2,585**	12,233
Total comprehensive income attributable to owners of the Company	**1,809**	8,563
Total comprehensive income attributable to the non-controlling interests	**776**	3,670
Total comprehensive income for the year	**2,585**	12,233
Distribution paid to non-controlling interests	**1,800**	2,400
Net cash inflow from operating activities	**4,413**	3,121
Net cash inflow from investing activities	**2,763**	–
Net cash outflow from financing activities	**(1,800)**	(2,400)
Net cash inflow	**5,376**	721

34. LITIGATION

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 during the year ended 31 March 2015.

(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 during the year ended 31 March 2015.

34. LITIGATION (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.

34. LITIGATION (CONTINUED)

(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 also the applicant of the District Court Action in Note 34(c). Based on the further advice from the Group's legal counsel during the year ended 31 March 2016, the claim amount is rather excessive and has assessed the quantum to be approximately HK$703,000. Accordingly, the Group has provided for approximately HK$703,000 to this claim for the year ended 31 March 2016.

(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.

34. LITIGATION (CONTINUED)

(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. The employee further filed an action on 4 December 2015 to the High Court to claim for personal injury in relation to the aforesaid accident for amount of approximately HK$4.1 million. In the opinion of the Directors, based on the advice from the Group's legal counsel, the claim amount is rather excessive. Accordingly, the Group has not provided for any claim arising from the litigation.

(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 for the amount of approximately HK$964,000 plus interest. 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 Directors, the Group has taken out necessary employees' compensation policy to cover its liability against the said proceeding.

34. LITIGATION (CONTINUED)

(i) In about August 2015, an employee of a subcontractor of Kwan On-U-Tech Joint Venture ("**KOUT JV**") commenced a District Court Action against a subcontractor of KOUT JV and KOUT JV 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 December 2013 arising out of and in the course of his employment for the amount of approximately HK$964,000 plus interest. 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 Directors, the Group has taken out necessary employees' compensation policy to cover its liability against the said proceeding.

(j) In about February 2015, a District Court Action was commenced by an employee of UCRL against UCRL as the 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 March 2013 arising out of and in the course of his employment. According to the Certificate of Assessment of the Employees' Compensation (Ordinary Assessment) Board dated 3 November 2015, the loss of earning capacity permanently caused by the injury is 0.3%. In the opinion of the Directors, the Group has taken out necessary employees' compensation policy to cover its liability against the said proceeding.

(k) In about October 2015, an employee of subcontractor of Kwan On sued against 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 November 2014 arising out of and in the course of his employment. According to the Certificate of Assessment of the Employees' Compensation (Ordinary Assessment) Board dated 24 March 2016, the loss of earning capacity permanently caused by the injury is 3%. 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.

34. LITIGATION (CONTINUED)

(l) 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 no provision has been made for such claim arising from the litigation.

(m) In about June 2015, a series of prosecutions were made to Kwan On and UFCL in respect of an incident happened in November 2014 at 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 made against Kwan On and UFCL in respect of the above prosecutions and the hearing of these prosecutions have been adjourned to 4 May 2016. In the opinion of the Directors, based on the advice from the legal counsel, the Group has valid defence against the prosecutions and accordingly no provision has been made for the aforementioned prosecutions.

(n) Fortune Decade and Twilight Treasure have undertaken to jointly and severally indemnify and at all times keep the Group indemnified against all the costs and liabilities incurred by them 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, include any claims 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.

35. 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.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March			
	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	311,880	393,283	693,150	**719,770**
Profit before income tax expense	9,490	29,418	23,444	**31,785**
Income tax expense	(3,762)	(5,790)	(2,364)	**(4,006)**
Profit for the year	5,728	23,628	21,080	**27,779**
Profit attributable to:				
Owners of the Company	1,483	20,043	17,410	**27,003**
Non-controlling interests	4,245	3,585	3,670	**776**
	5,728	23,628	21,080	**27,779**

ASSETS AND LIABILITIES

	As at 31 March			
	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	130,326	204,807	313,792	**349,973**
Total liabilities	142,723	186,976	236,427	**246,629**
(Deficiency in assets)/Total equity	(12,397)	17,831	77,365	**103,344**
Non-controlling interests	3,228	4,413	5,683	**4,659**
Equity attributable to owners of the Company	(15,625)	13,418	71,682	**98,685**