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SAM WOO CONSTRUCTION GROUP LIMITED

三和建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3822)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

The board (the “Board”) of directors (the “Directors”) of Sam Woo Construction Group Limited (the “Company”) is pleased to present the annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2016 (the “Year”/“2016”), together with the comparative figures for the corresponding year ended 31 March 2015 (the “Previous Year”/“2015”).

HIGHLIGHTS	2016	2015
Revenue	HK\$1,061 million	HK\$851 million
Profit for the year	HK\$153 million	HK\$219 million
Earnings per share (<i>note</i>)	9.23 HK cents	15.85 HK cents
Net gearing	13%	23%
Current ratio	1.7x	1.7x
Total equity	HK\$655 million	HK\$528 million
Aggregate value of major contracts on hand	about HK\$1,650 million yet to complete	

Note:

The weighted average number of shares used for the calculation of the earnings per share has been retrospectively adjusted to reflect the share subdivision with effect from 23 December 2015.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

		Year ended 31 March	
	<i>Note</i>	2016	2015
		HK\$'000	HK\$'000
Revenue	3	1,061,482	851,285
Cost of sales	4	(851,470)	(545,040)
Gross profit		210,012	306,245
Other income and gain, net		1,010	3,217
Administrative expenses	4	(36,655)	(55,362)
Operating profit		174,367	254,100
Finance income	5	2,816	1,277
Finance costs	5	(11,674)	(14,367)
Finance costs, net	5	(8,858)	(13,090)
Profit before income tax		165,509	241,010
Income tax expense	6	(12,632)	(21,842)
Profit and total comprehensive income for the year		152,877	219,168
Profit and total comprehensive income attributable to equity holders of the Company		152,877	219,168
			(Restated)
Basic and diluted earnings per share (HK cents)	7	9.23	15.85

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2016

		As at 31 March	
	<i>Note</i>	2016	2015
		HK\$'000	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Plant and equipment		605,566	509,245
Deferred income tax assets		131	233
Deposits and prepayments		2,617	3,911
		<u>608,314</u>	<u>513,389</u>
Current assets			
Trade and retention receivables	9	295,954	202,367
Deposits, prepayments and other receivables		592	3,308
Amounts due from customers for contract work		28,562	27,054
Income tax recoverable		116	–
Restricted bank balances		20,559	55,041
Short-term bank deposit		17,797	8,000
Cash and cash equivalents (excluding bank overdraft)		183,060	177,061
		<u>546,640</u>	<u>472,831</u>
Total assets		<u>1,154,954</u>	<u>986,220</u>
EQUITY			
Capital and reserves			
Share capital		4,200	4,000
Reserves		650,851	523,780
Total equity		<u>655,051</u>	<u>527,780</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2016

		As at 31 March	
	<i>Note</i>	2016	2015
		HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings		120,873	122,510
Deferred income tax liabilities		43,782	41,818
Amount due to a director		20,559	20,125
		<u>185,214</u>	<u>184,453</u>
Current liabilities			
Trade and retention payables	10	87,307	36,936
Accruals and other payables		16,298	16,586
Amounts due to customers for contract work		28,672	6,834
Borrowings		167,444	203,423
Income tax payable		14,968	10,208
		<u>314,689</u>	<u>273,987</u>
Total liabilities		<u>499,903</u>	<u>458,440</u>
Total equity and liabilities		<u>1,154,954</u>	<u>986,220</u>

NOTES:

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in foundation works and ancillary services in Hong Kong and Macau.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated and were approved for issue on 27 June 2016.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.2 Summary of significant accounting policies

(a) New amendments to standards adopted by the Group:

The following new amendments to standards are mandatory for the Group's financial year beginning 1 April 2015 and have been adopted by the Group:

HKAS 19 (Amendment)	Defined Benefit Plants: Employee Contributions
HKFRSs (Amendment)	Annual Improvements 2010 – 2012 Cycle
HKFRSs (Amendment)	Annual Improvements 2011 – 2013 Cycle

The adoption of these new amendments to standards does not have any significant impact to the results and financial position of the Group's consolidated financial statements.

(b) *New and amended standards not yet adopted*

The following new standards and amendments have been issued but are not effective for the financial year beginning on or after 1 April 2015 and have not been early adopted:

HKAS 1 (Amendment)	Disclosure Initiative ⁽¹⁾
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ⁽¹⁾
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ⁽¹⁾
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements ⁽¹⁾
HKFRS 9	Financial Instruments ⁽²⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture ⁽⁴⁾
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception ⁽⁴⁾
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operation ⁽¹⁾
HKFRS 14	Regulatory Deferral Accounts ⁽¹⁾
HKFRS 15	Revenue from Contracts with Customers ⁽²⁾
HKFRS 16	Leases ⁽³⁾
HKFRSs (Amendment)	Annual Improvements 2012 – 2014 Cycle ⁽¹⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1 January 2016.

⁽²⁾ Effective for the Group for annual period beginning on 1 January 2018.

⁽³⁾ Effective for the Group for annual period beginning on 1 January 2019.

⁽⁴⁾ The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Management is in the process of making an assessment on the impact of these new and revised standards, amendments or interpretations but is not yet in a position to determine whether they will have a significant impact on the Group's results of operations and financial position.

(c) *New Hong Kong Companies Ordinance (Cap. 622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year ended 31 March 2016 with early adoption permitted. The Group has early adopted the requirements in the consolidated financial statements for the year ended 31 March 2015.

3 REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents gross contract receipts on foundation works and ancillary services in the ordinary course of business. Revenue recognised is as follows:

	Year ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Foundation works and ancillary services	1,061,482	851,285

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as a single operating segment and reviews financial information accordingly.

(a) Segment information

The Group's revenue from external customers attributable to the countries which the Group derives revenue and information about its non-current assets, excluding deferred income tax assets, based on both (i) the country of domicile of companies holding these assets and (ii) their physical location are detailed below:

Revenue from external customers

	Year ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong	412,590	446,417
Macau	648,892	404,868
	1,061,482	851,285

Non-current assets (excluding deferred income tax assets)

- (i) Based on country of domicile of companies holding the assets:

	As at 31 March	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	608,183	513,156

The machinery and equipment of the Group were owned by Sam Woo Bore Pile Foundation Limited and Sam Woo Engineering Equipment Limited, the country of domicile of both is Hong Kong.

- (ii) Based on physical location of the assets:

	As at 31 March	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	608,183	313,754
Macau	–	199,402
	608,183	513,156

4 EXPENSES BY NATURE

	Year ended 31 March	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of sales		
Construction contracts costs (<i>note (a)</i>)	811,994	519,829
Depreciation		
– owned plant and equipment	26,524	10,787
– leased plant and equipment	5,572	3,798
Repair and maintenance	818	1,897
Others	6,562	8,729
	<u>851,470</u>	<u>545,040</u>
Administrative expenses		
Staff costs, including directors' emoluments (<i>note (b)</i>)	15,672	13,492
Auditors' remuneration	1,551	1,518
Depreciation		
– owned plant and equipment	435	651
Operating lease rental in respect of		
– office and storage premises	5,253	3,889
– directors' quarters	2,167	2,167
Professional fees		
– incurred for initial public offering	–	11,662
– others	1,442	11,665
Motor vehicle expenses	1,735	2,058
Bank charges	629	1,041
Others	7,771	7,219
	<u>36,655</u>	<u>55,362</u>
Total cost of sales and administrative expenses	<u>888,125</u>	<u>600,402</u>

Notes:

- (a) Construction contract costs included but not limited to costs of construction materials, staff costs (refer to note (b) below), consultancy fee, parts and consumables, subcontracting charges and transportation.

(b)	Year ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Wages and salaries	167,701	179,864
Pension costs – defined contribution plans	3,203	1,918
Employment benefits	2,183	2,539
	<u>173,087</u>	<u>184,321</u>
Less: amount included in construction contracts costs or capitalised in work-in-progress	(157,415)	(170,829)
	<u><u>15,672</u></u>	<u><u>13,492</u></u>

5 FINANCE INCOME AND COSTS

	Year ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Finance income		
– Interest income on bank deposits	2,816	1,277
	<u>2,816</u>	<u>1,277</u>
Finance costs		
– Interest expense on bank loans	(7,153)	(10,661)
– Interest expense on obligations under finance leases	(4,087)	(3,397)
– Interest expense on bank overdrafts	–	(184)
– Interest expense on amount due to a director	(434)	(125)
	<u>(11,674)</u>	<u>(14,367)</u>
Finance costs, net	<u><u>(8,858)</u></u>	<u><u>(13,090)</u></u>

6 INCOME TAX EXPENSE

Hong Kong profits tax and Macau complementary tax have been provided at the rate of 16.5% and 12%, respectively, on the estimated assessable profit for the Year and the Previous Year.

	Year ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current income tax	8,070	3,347
Over-provision of current income tax in prior year	(63)	–
Deferred income tax	2,066	13,341
Macau profits tax		
Current income tax	2,559	5,154
	<u>12,632</u>	<u>21,842</u>

7 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted to reflect the share subdivision with effect from 23 December 2015.

	Year ended 31 March	
	2016	2015
		(Restated)
Profit attributable to equity holders of the Company (HK\$'000)	152,877	219,168
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	<u>1,656,612</u>	<u>1,383,012</u>
Basic earnings per share (HK cents)	<u>9.23</u>	<u>15.85</u>

(b) Diluted

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding at the year end.

8 DIVIDENDS

- (a) In June 2015, final dividends of HK15 cents per share (before share subdivision effective from 23 December 2015), amounting to a total amount of HK\$60,000,000, were proposed in respect of the Previous Year. Subsequent to the proposal of the dividends, there was a share placement of 20,000,000 newly issued shares in July 2015. Accordingly, final dividends for the Previous Year of HK\$63,000,000 were approved in September 2015 and paid in October 2015.
- (b) On 26 November 2015, the Board resolved to declare an interim dividend of HK5 cents per share of HK\$0.01 before share subdivision effective from 23 December 2015 for the Year, in the total of HK\$21,000,000 (2015: Nil) which were paid in December 2015.
- (c) A final dividend in respect of the year ended 31 March 2016 of HK1.75 cents per share of HK\$0.0025, amounting to a total dividend of HK\$29,400,000, will be proposed at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

9 TRADE AND RETENTION RECEIVABLES

	As at 31 March	
	2016	2015
	HK\$'000	HK\$'000
Trade receivables	203,833	127,835
Retention receivables	92,121	74,532
	<u>295,954</u>	<u>202,367</u>
Trade and retention receivables	<u>295,954</u>	<u>202,367</u>

The credit period granted to trade customers other than for retention receivables was within 45 days. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

The ageing analysis of the trade receivables based on invoice date was as follows:

	As at 31 March	
	2016	2015
	HK\$'000	HK\$'000
1 to 30 days	147,822	127,835
31 to 60 days	56,011	–
	<u>203,833</u>	<u>127,835</u>
Total	<u>203,833</u>	<u>127,835</u>

As at 31 March 2016, there were no trade and retention receivables which were past due but not impaired (2015: Nil).

10 TRADE AND RETENTION PAYABLES

	As at 31 March	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	74,955	35,637
Retention payables	12,352	1,299
	<hr/>	<hr/>
Total trade and retention payables	87,307	36,936
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 31 March	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	67,645	25,586
31 to 60 days	510	5,142
61 to 90 days	–	1,823
91 to 180 days	6,524	3,032
181 to 365 days	89	54
More than 365 days	187	–
	<hr/>	<hr/>
	74,955	35,637
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Major Projects for the Year

Although the Legislative Council filibustering had caused delay in the grant of funding approval for certain public works and a number of public infrastructure projects tendering in Hong Kong has been slowing down, the Group successfully secured three new contracts in the first half of the Year in both public and private sectors, namely the Proposed Commercial/Residential Development in Wong Tai Sin District, the Liantang/Heung Yuen Wai Boundary Control Point and the Hospital Expansion project. The estimated aggregate value of the Group's contracts on hand yet to be completed was about HK\$1,650 million as at 31 March 2016.

The Group's annual revenue attributable to projects in Hong Kong and Macau increased to HK\$1,061 million in the Year (2015: HK\$851 million), representing a growth of 25%.

	As at 31 March 2016 Completion status	Expected completion date (note 1)	Estimated remaining contract value (HK\$)
Composite Development Project, Macau	Completed	–	–
Proposed Commercial/Residential Development in Wong Tai Sin District	Around 1/3	To be determined (note 2)	100 million
Liantang/Heung Yuen Wai Boundary Control Point	Around 1/3	2016/17	300 million
Hospital Expansion	Around 1/10	2019	1,250 million

Note 1: The above remaining contract values were determined with reference to internal estimates based on currently available information, and may be subsequently revised.

Note 2: As the employer has to re-design part of the works, the expected completion date has yet to be determined.

Composite Development Project, Macau

The Composite Development Project in Macau is the biggest completed project to date on the Group's record in terms of contract value. About 60% of the Group's revenue for the Year were attributable to this private residential development project.

The Group was awarded the project in early 2014, and commenced foundation piling works at the end of 2014 after the client finished obtaining the relevant government permits and finalised the design plans. This project proceeded at full steam in mid-2015 and was completed by the end of 2015. After that, the Group had all the equipment used in Macau moved back to Hong Kong.

The original contract amount of this project was approximately HK\$460 million. Additional works were subsequently included in the contract which brought the total contribution of the project to the Group's revenue to over HK\$720 million in aggregate in the Year and the Previous Year. In terms of profit margin, residential developers were typically more cautious in budgeting, which were different from the developers of previous commercial projects Hotel Tower and Hotel Casino in Macau in the previous two years who had very tight schedules to work with and hence were willing to pay more. In addition, the subsequently added works, including certain non-bored piles works, were subcontracted by the Group in order to maintain the work efficiency and flexibility in resources deployment. Therefore, compared with the Macau projects completed by the Group in 2013/14 and 2014/15, this project had lower price rates and higher subcontracting costs. However, with its considerable scale taken into account, the project still contributed significantly to the Group's revenue and profit.

Proposed Commercial/Residential Development in Wong Tai Sin District

This is the second time the Group works with this private developer, the first time being on a bored pile and pre-drilled socket piling works project which was completed in 2012/2013. In April 2015, the Group was awarded the new contract for the installation of lateral support works for the Proposed Commercial/Residential Development in Wong Tai Sin. The contract is valued at approximately HK\$320 million (including contingent payment and/or provisional sum), of which the first phase is valued at an estimated HK\$140 million. However, certain technical complications in the first phase of the project had commanded the employer to re-design and re-schedule part of the works, as a result, the expected completion date of the project has yet to be determined.

As at 31 March 2016, around one-third of the first phase of installation of lateral support works for the project had been completed. Due to the extension of project period, the management expects the Group to incur higher overhead for the project costs and that the remaining two-third of the works would be primarily subcontracted. With maximising efficiency in mind, the management intends to direct the Group's resources onto the other two major bored pile projects to be discussed below.

Liantang/Heung Yuen Wai Boundary Control Point

The Liantang/Heung Yuen Wai Boundary Control Point is part of the Hong Kong boundary crossing facilities managed by the Civil Engineering and Development Department. The Group entered into a pre-bid agreement in relation to the bored piling subcontractor works with the main contractor at the time of the tender in 2013. The Legislative Council finally approved the project funding in June 2015 and the relevant contracts were subsequently awarded. However, subsequent changes were made to the design plans while the Group had already started working on the construction sites. These affected the efficiency of the Group's resources deployed to the project and management of the project budget.

Based on the latest design, the value of this contract is estimated at about HK\$470 million. As at 31 March 2016, around one-third of the works for this project had been completed and it contributed to around 15% of the Group's revenue for the Year. The project is expected to be completed within the coming financial year.

Hospital Expansion

In July 2015, the Group was awarded the main contract of the foundation and associated works of United Christian Hospital by the Hospital Authority. This contract is valued at HK\$1,780 million, and after deducting all contingent and/or provisional sums, the actual revenue is estimated at approximately HK\$1,400 million. This will be a new record high for the Group.

More than half of the project value is for the demolition of the existing buildings, site formation and road reconstruction to prepare for expansion of the hospital. Construction of the foundation piles accounts for the remaining contract value.

As at 31 March 2016, around one-tenth of the project which comprised primarily preparatory work of the project and demolition of existing buildings was completed and it contributed around 15% of the Group's total revenue for the Year. The Hospital Expansion project will last around four years and is expected to be completed in 2019.

Outlook

The delay of and the uncertainties surrounding certain public works as a result of the recent Legislative Council filibustering in funding approval have already caused challenges for the construction industry. The suppressed market demand has forced players to start competing fiercely on price in the past few months. The management expects this situation to continue for a short period of time until there are concrete roll-out plans for some of those iconic infrastructure projects like the Airport Third Runway Program and the development projects set out below.

The major commercial and public infrastructure projects being planned will require a large fleet and broad range of machinery and equipment, as well as the support of professional operational skills and management experience. Since the number of foundation specialist builders in the market with required experience in taking up projects of such scale is limited, as long as the tenders for planned projects are called as expected, the Group is confident of its prospects in bidding for new projects in the second half of the coming financial year.

Housing and Community Facilities

The Hospital Expansion project is of great significance to the Group. The approval of funding for the hospital project, a major social and livelihood facility, by the Legislative Council is a positive sign for other public sector projects in the pipeline. The government stated in the 2015/16 Budget its intention to launch a number of hospital projects to meet the long-term demand for medical services by the community. The total construction cost of the projects launched and being planned are expected to exceed HK\$80 billion. The market is also anticipating new project tenders in relation to the “Energizing Kowloon East” in coming months. Also, as part of the 570,000 square feet urban renewal plan of Kwun Tong and Kowloon City, the Kai Tak Development Plan includes construction of a large number of facilities for government agencies and the community, as well as residential and commercial buildings. Apart from buildings, the plan also involves the construction of a highway connecting West Kowloon and Tseung Kwan O. The “Energizing Kowloon East” is expected to be the largest reconstruction project ever in Hong Kong, which will provide a tremendous number of public and private housing units, all requiring heavy foundations.

The government has announced its long-term housing strategy targeting to add 480,000 units within 10 years beginning from 2015/16. This is favorable for the Group. According to the government’s five-year land development plan, 150 land parcels would be converted to use for housing development.

Development of Infrastructure and a New Hub

When the Tuen Mun-Chek Lap Kok Link and the Hong Kong-Zhuhai-Macau Bridge were completed, Lantau Island would transform into a transportation hub in the Pearl River Delta and create a new centre of gravity for Hong Kong’s economy. Macau is also planning to tap the opportunities arising as a result of the Hong Kong-Zhuhai-Macau Bridge connecting the Pearl River Delta with the Western Corridor, as evidenced by her new reclamation projects aiming at enhancing both her commercial and residential development. Other major projects included the third runway at Chek Lap Kok airport, the new town at Hung Shui Kiu and other reclamation works.

The aforementioned plans and projects are expected to support demand for the construction industry in the medium term. Steadfast in its mission of building “Tomorrow’s Foundation”, Sam Woo Construction Group has been involved in various iconic projects, including the marine foundation works of the north-south runway at Hong Kong International Airport, the Blue Bale Hai Tsing Yi Bridge, and the construction of mass transit railways (the East Rail, West Rail, Ma On Shan Rail and the High Speed Rail). We are looking forward to playing a part in the new chapter of Hong Kong’s development and collaborating with other enterprises to build Hong Kong’s future.

FINANCIAL REVIEW

Revenue

The Group recorded a revenue of HK\$1,061 million for the Year, representing an approximately 25% increase compared with the Previous Year. The major projects as discussed in the Business Review above, namely the Composite Development Project, Macau, Proposed Commercial/Residential Development in Wong Tai Sin District, Liantang/Heung Yuen Wai Boundary Control Point, and Hospital Expansion, contributed more than 90% of the Group’s revenue for the Year. The remaining was attributable to the Hong Kong Boundary Crossing Facilities project completed in the first quarter of the Year and finalisation of the final accounts of a few projects which contract works were completed in the previous financial years.

Gross Profit and Margin

Gross profit was approximately HK\$210 million for the Year, down by approximately 31% compared with the Previous Year. Gross profit margin was approximately 20% which was lower than the 36% in the Previous Year. The management submitted that the cost structure of the major projects undertaken during the Year were different from those of the projects in the Previous Year. As discussed in the Business Review above, despite that the average contract size of the recently awarded projects was bigger, the portion of non-bored pile works subcontracted had increased and the margin of these subcontracting works was relatively thin. As a result of the above, the Group’s overall profit margin was squeezed.

Secondly, the major projects undertaken during the Year required a significant amount of preliminary and ancillary works which will take about a year-and-a-half to four years to complete and on average longer than those of the projects in the Previous Year. Thus, project overhead costs were expected to increase proportionally.

Thirdly, contract price is determined by market bids that reflect supply and demand, which in turn depend on the volume of construction works of prevailing public and private market tenders, the amount of contracts on hand of the contractors, project programme timelines and other factors. The filibustering in the Legislative Council, however, has caused delays in funding approval for public works and infrastructure projects, resulting in a shortage of demand in the construction market. With fewer tenders to bid for, competition has become more intense for the industry and as such contract prices have been under pressure.

Administrative Expenses

Administrative expenses decreased 34% to HK\$37 million compared with the Previous Year (2015: HK\$55 million). In the Previous Year, the professional fees included an expense of HK\$12 million related to the Company's initial public offering of shares, as well as the costs and provision of HK\$12 million including consultancy fees and expenses relating to litigation and arbitration. During the Year, the litigations were concluded and the litigation cost of about HK\$3 million were recovered and written back together with the related provision accordingly. If legal and professional fees were excluded in both years, the administrative expenses would have increased for about 10% mainly due to the increase in salaries and office rental expenses.

Finance Cost

Finance cost for the Year was approximately HK\$12 million (2015: HK\$14 million), representing a decrease of approximately 19% compared to the Previous Year. This is mainly due to the interest saving attributable to the use of part of the proceeds from the listing and placing shares in July 2015 as the Group's working capital, thus reducing those short-term bank borrowings with higher interest rates. Meanwhile, finance income increased mainly because the listing proceeds yet to be used were placed to bank deposits for interest income.

Taxation

The effective income tax rate for the Year was about 8% (2015: 9%). The lower effective tax rate was resulted mainly because (i) about 60% of the Group's construction revenue was generated from the Macau project during the Year and the statutory tax rate there was lower than in Hong Kong; and (ii) there was rental income earned by subsidiaries in Hong Kong in relation to the leasing of machinery and equipment for use in Macau projects which was regarded as offshore income and therefore not subjected to taxation in Hong Kong and Macau. Details can be referred to in the prospectus of the Company dated 29 September 2014.

Profit and Net Profit Margin

As a result, the Group's profit after tax was approximately HK\$153 million (2015: HK\$219 million), representing a year-on-year decrease of approximately 30%. Net profit margin was 14% (2015: 26%).

Capital Expenditures and Capital Commitments

The Group generally finances its capital expenditures by internally-generated resources, long-term bank loans and finance leases. Upon our listing, the capital contribution from the Company's shareholders became an additional source of finance. During the Year, the Group invested approximately HK\$129 million in expansion of its machinery and equipment. In May 2015, in response to the expected increase in project needs, the Group placed a HK\$100 million purchase order for machinery and equipment with an European manufacturer. All of them had been delivered and paid for during the Year. As at 31 March 2016, the Group's capital commitments relating to the purchase of machinery and equipment was HK\$4 million (2015: HK\$16 million).

During the Year, save as disclosed herein, the Group did not make any material acquisitions or disposals of assets.

Liquidity, Financial Resources and Gearing

Liquidity

The Group generally meets its working capital requirements by cash flows generated from its operations and short-term borrowings. During the Year, the Group generated from operating activities a net cash inflow of approximately HK\$190 million (2015: HK\$147 million). That together with short-term bank loans and overdrafts available, the Group had been financially sound in its daily operations throughout the Year.

Capital Financing and the Use of Proceeds

The net proceeds from the IPO were approximately HK\$117 million (after deducting underwriting fees, commissions and expenses), of which (i) approximately HK\$53 million was applied in acquiring machinery and equipment; and (ii) HK\$12 million was applied as working capital during the Year, in accordance with the intended use. The remaining net proceeds of approximately HK\$52 million from the IPO as at 31 March 2016 is intended for financing acquisition of machinery and equipment in the future.

In July 2015, the Company placed 20,000,000 shares of HK\$0.01 nominal value, raising approximately HK\$58 million for working capital purposes, and the entire amount had been used during the Year, mainly for payments of contract costs.

Cash and Bank Balances

As at 31 March 2016, the Group had a total cash and bank balances of approximately HK\$221 million (2015: HK\$240 million) mainly denominated in HK\$ and MOP. The net movement is mainly attributed to the net cash inflow of approximately HK\$190 million from operating activities, net proceeds from placing of shares of approximately HK\$58 million, payment of final dividend of the Previous Year and interim dividend for the Year in the aggregate of HK\$84 million, partly financing the purchase of plant and equipment of approximately HK\$53 million, and repayment of borrowings.

Borrowings

As at 31 March 2016, the Group had total borrowings of approximately HK\$288 million (2015: HK\$326 million) denominated in either Hong Kong dollars or Euros. Borrowings generally include short-term and long-term bank loans, finance leases and overdrafts bearing a floating interest rate. Of the total borrowings, approximately HK\$36 million (2015: HK\$111 million) were short-term bank loans and bank overdrafts and approximately HK\$118 million (2015: HK\$75 million) was the current portion of long-term bank loans and obligations under finance lease with maturity dates within 12 months. This analysis exclude those long term borrowings with an immediate demand clause that were classified under current liabilities.

Gearing Ratio and Total Equity

As at 31 March 2016, the Group's net gearing ratio (net borrowings divided by total equity) was 13% (2015: 23%). For the purpose of calculating the Group's net gearing ratio, the net borrowings refer to the total borrowings less cash and cash equivalents, short-term bank deposits and restricted bank balances pledged as the security for credit facilities of the Group. As at 31 March 2016, the Group's net current assets were HK\$232 million (2015: HK\$199 million) and current ratio (current assets divided by current liabilities) was 1.7 times (2015: 1.7 times).

The decrease in the Group's net gearing ratio was mainly attributable to the further enhancement of its capital base after the placing shares of the Company in July 2015, as well as the profits from operations during the Year, resulting in the Group's total equity as at 31 March 2016 increasing to approximately HK\$655 million (2015: HK\$528 million).

Foreign Exchange Exposure

Operations of the Group are mainly conducted in Hong Kong dollars and Macau patacas. Its revenue, expenses, cash and bank balances, borrowings, other monetary assets and liabilities are principally denominated in those two currencies. Apart from the purchase orders for machinery and equipment paid in Euros and Singapore dollars and such short-term Euros borrowings for such settlement purpose for the Year, the Group was not exposed to any significant foreign currency risk nor had it employed any financial instrument for hedging.

Contingent Liabilities

As at 31 March 2016, save for guarantees of performance bonds relating to two (2015: two) foundation works and ancillary services projects of the Group of approximately HK\$18 million and HK\$17 million, respectively (2015: HK\$67 million and HK\$29 million), the Group did not have any material contingent liabilities. The performance bonds are expected to be released in accordance with the terms of the respective construction contracts.

Pledge of Assets

As at 31 March 2016, the net book amount of plant and equipment held under finance leases and pledged for long term bank loans amounted to approximately HK\$210 million (2015: HK\$151 million) and approximately HK\$139 million (2015: HK\$108 million), respectively. None of the banking facilities of the Group were secured by the Group's bank deposits (2015: HK\$17 million).

OTHER INFORMATION

Human Resources

As at 31 March 2016, the Group had approximately 250 (2015: 228) employees. The remuneration package includes salary, discretionary bonuses and allowances. In general, the Group determines employee salaries based on the individual's qualifications, position and performance (where applicable).

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

Corporate Governance

The Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Year.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules upon Listing. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the required standards as set out in the Model Code throughout the Year.

Review of Annual Results

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the financial year 31 March 2016. The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2016 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

Final Dividend and Annual General Meeting

The Directors recommended the payment of a final dividend of HK1.75 cents per share amounting to approximately HK\$29.4 million, together with an interim dividend of HK\$21 million paid in December 2015 representing approximately 33% dividend ratio on an annual basis. Such payment of dividends will be subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 8 September 2016 and are payable to shareholders whose names appear on the register of members of the Company at the close of business on 15 September 2016. It is expected that the proposed final dividend will be paid on or about 6 October 2016. Notice of the annual general meeting will be published and despatched to shareholders of the Company in the manner required by the Listing Rules in due course.

Closure of Register of Members

In order to establish entitlements to attend and voting at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Tuesday, 6 September 2016 to Thursday, 8 September 2016, both days inclusive, during which period no transfer of share of the Company will be registered. All transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 5 September 2016.

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed on Thursday, 15 September 2016, during which no transfer of share of the Company will be registered. All transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 14 September 2016.

Publication of Results Announcement and Annual Report

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.samwoo-group.com. The annual report will be despatched to the shareholders of the Company and available on the above websites in due course.

On behalf of the Board of
Sam Woo Construction Group Limited
Lau Chun Ming
Chairman

Hong Kong, 27 June 2016

As at the date of this announcement, the executive directors are Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So; and the independent non-executive directors are Professor Wong Sue Cheun, Roderick, Mr. Chu Tak Sum and Mr. Ip Tin Chee, Arnold.