



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: 1559

Interim Report

2017

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MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of Kwan On Holdings Limited (the “**Company**” or “**Kwan On**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2017 (the “**Reporting Period**”).

BUSINESS REVIEW AND OUTLOOK AND PROSPECT

Kwan On Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) are engaged as main contractor 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 in Hong Kong.

Kwan On Construction Company Limited (“**Kwan On**”), 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 Hong Kong Special Administrative Region Government.

As at 30 September 2017, the Group had 15 contracts in progress, and 6 of them are expected to be substantially completed within the next 12 months. Accordingly the Group may experience a drop in the number of ongoing projects on hand if the Group cannot secure new contracts from existing customers.

This Reporting Period remained challenging as the prolonged debates on infrastructure construction projects in the Legislative Council had caused delay in tendering of new works in the public sector. Despite delays in awarding of tenders for numerous major public construction projects during the Reporting Period, the Group was still able to secure three new projects under the name of Kwan On.

Further, there had been an upward trend in construction costs, particularly the wages. In the event that there is a significant increase in the costs and demand for labour, the Group’s staff costs and/or subcontracting costs will increase and thus resulting an adverse impact to the Group’s profitability.

Look ahead, it is expected to have further challenges and uncertainties in Hong Kong and in the construction industry. The management of the Group will cautiously monitor the overall construction costs and market conditions and consider diversifying the customer base to increase business opportunities.

In addition, the Group has strived to expand the construction business to new geographical areas. The Group has entered into negotiations with the government of Makati City, the Philippines in relation to conducting a feasibility study on public transportation projects in Makati City and its surrounding areas during the Reporting Period.

FINANCIAL REVIEW

Revenue

Revenue for the Reporting Period amounted to approximately HK\$316.3 million, representing a decrease of approximately 24.7% as compared to the six months ended 30 September 2016 (“**2016 Interim**”) of approximately HK\$419.8 million. The decrease in revenue was mainly attributable to (i) decrease in contributions from five projects which had been completed; (ii) delay in work progress for project KL/2012/03 and (iii) decrease in work done from two projects which were close to completion. While the revenue for the three newly awarded projects, namely NE/2016/04, NE/2016/05 and CDO2016061 which were commenced in February 2017, March 2017 and February 2017 respectively, had contributed approximately HK\$13.7 million to revenue for the Reporting Period.

The five projects which had been completed during the Reporting Period namely, GE/2012/11, GE/2013/06, GE/2013/17, CDO2015034 and 20130375 contributed approximately HK\$4.6 million in aggregate during the Reporting Period (2016 Interim: approximately HK\$46.2 million).

Due to continuous change in designs by the customer which required re-assessment and approvals from the relevant authorities, the work progress for project KL/2012/03 had been delayed. As a result, revenue contributed by project KL/2012/03 recorded a decline by approximately 20.0% to approximately HK\$104.3 million during the Reporting Period (2016 Interim: approximately HK\$130.3 million).

The work done for projects GE/2013/16 and GW/2015/05/038 decreased as these projects had been close to completion. As a result, lower revenue had been recognised that amounted to approximately HK\$35.2 million during the Reporting Period (2016 Interim: approximately HK\$86.2 million).

Cost of services

Cost of services decreased to approximately HK\$290.9 million for the Reporting Period (2016 Interim: approximately HK\$390.3 million), representing a decrease of approximately 25.5%. Such decrease was mainly attributable to the decrease in the subcontracting charges and staff wages with the completion projects during the Reporting Period.

Gross profit

Gross profit for the Reporting Period was approximately HK\$25.5 million (2016 Interim: approximately HK\$29.5 million) while gross profit margin for the Reporting Period was approximately 8.1% (2016 Interim: approximately 7.0%). The increase in gross profit margin was the result of recovery of costs from customers' payment certification in relation to certain works completed during the Reporting Period where revenue had not been previously recognised.

Other income

Other income for the Reporting Period amounted to approximately HK\$0.6 million (2016 Interim: approximately HK\$0.7 million), represented a decrease of approximately 13.6%. The decrease was the result of non-receipt of government grant from the Transport Department for ex-gratia payment for retirement of vehicles for the Reporting Period (2016 Interim: approximately HK\$0.2 million).

Other gains and losses

The Group recorded a gain of approximately HK\$0.4 million during the Reporting Period (2016 Interim: approximately HK\$0.4 million), arisen from the disposal of defective motor vehicles.

Administrative expenses

Administrative expenses for the Reporting Period were approximately HK\$11.8 million (2016 Interim: approximately HK\$13.9 million), representing a decrease by 15.1%. The decrease was mainly attributable to a decrease in professional fee incurred during the Reporting Period.

Unrealised loss on held-for-trading securities

During the Reporting Period, the Group had invested in certain listed shares and recorded a gross fair value loss of approximately HK\$6.9 million (2016 Interim : Nil).

Finance costs

Finance costs for the Reporting Period amounted to approximately HK\$1.6 million (2016 Interim: approximately HK\$1.4 million). The increase was mainly due to higher average outstanding borrowings during the Reporting Period arisen from the mortgage loan amounted to approximately HK\$11.4 million as at 30 September 2017 for financing the acquisition of the office premises in March 2017.

Income tax expense

Income tax expense decreased to approximately HK\$2.2 million for the Reporting Period and the effective tax rate was approximately 16.5% during the Reporting Period (2016 Interim: approximately 16.0%) in line with the statutory tax rate.

Profit and total comprehensive income

Profit and total comprehensive income for the Reporting Period amounted to approximately HK\$5.0 million (2016 Interim: approximately HK\$12.8 million). The decrease was mainly attributable to the increase in unrealised loss on held-for-trading securities at the Reporting Period end.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and facilities provided by banks. As at 30 September 2017, the Group had bank and cash of approximately HK\$35.9 million (31 March 2017: approximately HK\$194.4 million), while outstanding borrowings amounted to approximately HK\$61.6 million (31 March 2017: approximately HK\$73.9 million). The decrease in bank and cash was mainly attributable to (i) purchase of held-for-trading securities amounted to approximately HK\$83.8 million and (ii) repayment to a director of approximately HK\$50.0 million.

As at 30 September 2017, the Group had pledged bank deposits of approximately HK\$52.4 million (31 March 2017: approximately HK\$58.0 million). Further details for securities held for borrowings and banking facilities granted by banks to the Group as at 30 September 2017 are set out in Note 9 to this condensed consolidated financial statements.

The current ratio as at 30 September 2017 was approximately 1.30 times (31 March 2017: approximately 1.24 times). Net current assets amounted to approximately HK\$89.2 million (31 March 2017: approximately HK\$88.7 million).

Gearing ratio, calculated based on the total debt (including borrowings and finance lease payables) divided by total equity, was approximately 43.8% as at 30 September 2017 (31 March 2017: approximately 54.5%).

The Group was not exposed to foreign exchange risk during the Reporting Period.

As at 30 September 2017, the Group did not have any capital commitments (31 March 2017: Nil).

Save for any contingent liabilities which may arise from any of the litigations disclosed herein, the Group had no material contingent liabilities as at 30 September 2017 (31 March 2017: Nil).

CAPITAL STRUCTURE

There had been no change in the capital structure of the Group during the Reporting Period. As at 30 September 2017, 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.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 September 2017, the Group had a total of 488 (31 March 2017: 373) employees, including Directors. 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Board has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company has complied with the code provisions in the CG Code during the Reporting Period.

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Company established an Audit Committee and the written terms of reference are available on the websites of the Stock Exchange and the Company. The Audit Committee consists of three Independent Non-executive Directors, namely Mr. Lum Pak Sum, Prof. Ho Ho Ming and Prof. Lam Sing Kwong Simon. Mr. Lum Pak Sum is the chairman of the Audit Committee and has appropriate professional qualifications and experience in accounting matters.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Reporting Period.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the 30 September 2017, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be 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 Model Code for Securities Transactions by Directors of Listed Issuer as contained in Appendix 10 of the Listing Rules (the "**Model Code**"), were as follows:

Name	Capacity	Number of issued Shares interested	Percentage of the issued share capital of the Company
Mr. Chen Zhenghua ("Mr. Chen") (Note 1)	Interest of controlled corporation	248,000,000 (L)	25.83%
Mr. Zhang Fangbing ("Mr. Zhang") (Note 3)	Interest of corporation	248,000,000 (L)	25.83%
Mr. Wong Yee Tung, Tony (resigned on 10 November 2017) (Note 2)	Interest of controlled corporation	41,653,000 (L)	4.34%
Mr. Kwong Wing Kie (resigned on 1 June 2017) (Note 2)	Interest of controlled corporation	41,653,000 (L)	4.34%

Notes:

1. The interest in 248,000,000 (including the existing 108,000,000 Shares held by Sino Coronet Group Limited ("**Sino Coronet**") and the subscription shares pursuant to the subscription agreement entered into between Sino Coronet and the Company dated 1 September 2017). Sino Coronet is ultimately owned as to 45% by Mr. Chen. Accordingly, Mr. Chen is deemed to be interested in such 248,000,000 Shares.
2. The 41,653,000 Shares were held by Twilight Treasure Limited ("**Twilight Treasure**"), which is owned as to 87.5% by Success Ally Investments Limited ("**Success Ally**") and 12.5% by Decade Success Investments Limited ("**Decade Success**"). Success Ally is legally and beneficially owned by Mr. Wong Yee Tung, Tony. Decade Success is legally and beneficially owned by Mr. Kwong Wing Kie. Accordingly, Mr. Wong Yee Tung, Tony and Mr. Kwong Wing Kie are deemed to be interested in such 41,653,000 Shares.

3. The interests of Mr. Zhang was held by Sino Coronet, which is a wholly-owned subsidiary of 江蘇省建築工程集團有限公司. 江蘇省建築工程集團有限公司 is beneficially owned as to 55% by 綠地城市投資集團有限公司, and as to 45% by 江蘇華遠投資集團有限公司. 江蘇華遠投資集團有限公司 is owned as to 89.3% by Mr. Chen and 10.7% by 江蘇省城開投資有限公司, which is owned as to approximately 39.56% by Mr. Chen and approximately 1.25% by Mr. Zhang Fangbing, an Executive Director of the Company and approximately 59.19% by independent third parties.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be 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 Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2017, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules on the Stock Exchange:

Name	Capacity	Number of issued Shares interested	Percentage of the issued share capital of the Company
Sino Coronet (Note 1)	Beneficial owner	248,000,000 (L)	25.83%
江蘇省建築工程集團有限公司 ("JPC") (Note 1)	Interest of controlled corporation	248,000,000 (L)	25.83%
江蘇華遠投資集團有限公司 (Note 1)	Interest of controlled corporation	248,000,000 (L)	25.83%
Mr. Chen (Note 1)	Interest of controlled corporation	248,000,000 (L)	25.83%
綠地城市投資集團有限公司 (Note 1)	Interest of controlled corporation	248,000,000 (L)	25.83%
綠地控股集團有限公司 (Note 1)	Interest of controlled corporation	248,000,000 (L)	25.83%
綠地控股集團股份有限公司 (Note 1)	Interest of controlled corporation	248,000,000 (L)	25.83%
Winsum Holdings Limited (Note 2)	Beneficial owner	66,000,000 (L)	6.88%
Ms. Guo Jing (Note 2)	Interest of controlled corporation	66,000,000 (L)	6.88%
Ms. Chiu Gar Man (Note 3)	Interest of spouse	41,653,000 (L)	4.34%

Notes:

1. Sino Coronet is a wholly-owned subsidiary of JPC, which is beneficially owned as to 55% by 綠地城市投資集團有限公司, and as to 45% by 江蘇華遠投資集團有限公司. 綠地城市投資集團有限公司 is owned as to 94.74% by 綠地控股集團有限公司, which is in turn wholly-owned by 綠地控股集團股份有限公司. 江蘇華遠投資集團有限公司 is owned as to 89.3% by Mr. Chen, Chairman of the Board and an Executive Director of the Company and 10.7% by 江蘇省城開投資有限公司, which is owned as to approximately 39.56% by Mr. Chen and approximately 1.25% by Mr. Zhang Fangbing, an Executive Director of the Company and approximately 59.19% by independent third parties. Accordingly, JPC, 江蘇華遠投資集團有限公司, Mr. Chen, 綠地城市投資集團有限公司, 綠地控股集團有限公司 and 綠地控股集團股份有限公司 are deemed to be interested in such 248,000,000 Shares.
2. The 66,000,000 Shares were held by Winsum Holdings Limited, which is wholly-owned by Ms. Guo Jing. Accordingly, Ms. Guo Jing is deemed to be interested in such 66,000,000 Shares.
3. Ms. Chiu Gar Man is the spouse of Mr. Wong Yee Tung, Tony and is deemed, or taken to be, interested in the shares in which Mr. Wong Yee Tung, Tony has interest under the SFO.

Save as disclosed above, as at 30 September 2017, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALES OF REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the Reporting Period.

DIVIDENDS

The Board did not recommend any payment of dividend for the Reporting Period.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 16 March 2015 (the “**Scheme**”). No share option has been granted since adoption and there were no share options outstanding as at 30 September 2017.

CHANGE OF DIRECTORS

Changes in Directors during the Reporting Period up to the date of this Report are summarised as follows:

- i) On 1 June 2017, Mr. Chen Zhenghua was appointed as the Chairman, an Executive Director and member of Nomination Committee of the Company.
- ii) On 1 June 2017, Mr. Zhang Fangbing was appointed as an Executive Director and compliance officer of the Company.
- iii) On 1 June 2017, Mr. Kwong Wing Kie resigned as an Executive Director, compliance officer and a member of the Nomination Committee and the Risk Management Committee of the Company.
- iv) On 10 November 2017, Mr. Wong Yee Tung, Tony resigned as an Executive Director, a member of the Remuneration Committee and an authorised representative of the Company.
- v) On 10 November 2017, Mr. Zhang Fangbing was appointed as a member of the Remuneration Committee and an authorised representative of the Company.

For more details, please refer to the Company's announcements dated 1 June 2017 and 10 November 2017.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all shareholders, customers, suppliers, business partners, banks, professional parties and employees of the Group for their continuous support.

By order of the Board
Kwan On Holdings Limited
Chen Zhenghua
Chairman

Hong Kong, 27 November 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		Six months ended 30 September	
	Notes	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	4	316,341	419,838
Cost of services		(290,857)	(390,329)
Gross profit		25,484	29,509
Other income		608	704
Other gains and losses		355	388
Administrative expenses		(11,825)	(13,863)
Unrealised loss on held-for-trading securities		(6,899)	-
Operating profit		7,723	16,738
Finance costs		(1,558)	(1,443)
Profit before income tax expense		6,165	15,295
Income tax expense		(2,155)	(2,446)
Total comprehensive income for the period		4,010	12,849
Attributable to:			
Owners of the Company		2,912	11,767
Non-controlling interests		1,098	1,082
		4,010	12,849
Earnings per share			
– Basic and diluted (HK cents)	5	0.30	1.23

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	6	41,423	40,319
Investments in associate		3,000	3,000
Prepayments		7,084	3,429
		51,507	46,748
Current assets			
Inventories		3,021	6,715
Held-for-trading securities		76,864	–
Amounts due from customers for contract work		86,395	56,814
Trade and other receivables	7	124,329	139,462
Tax recoverable		420	420
Amounts due from other partners of joint operations		3	2
Pledged bank deposits		52,397	58,033
Cash and cash equivalents		35,862	194,368
		379,291	455,814
Total assets		430,798	502,562
Current liabilities			
Amounts due to customers for contract work		60,077	60,323
Trade and other payables	8	119,138	137,357
Amount due to a director	11	45,000	95,000
Borrowings	9	61,612	73,902
Current tax liabilities		5,275	494
		291,102	367,076
Net current assets		88,189	88,738
Total assets less current liabilities		139,696	135,486

	<i>Notes</i>	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		6	6
<hr/>			
Total liabilities		291,108	367,082
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NET ASSETS		139,690	135,480
<hr/>			
Capital and reserves			
Share capital	10	9,600	9,600
Reserves		125,341	122,429
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		134,941	132,029
Non-controlling interests		4,749	3,451
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TOTAL EQUITY		139,690	135,480
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company						Non-controlling interests		Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Contributed surplus HK\$'000	Capital Reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
As at 1 April 2016	9,600	23,811	9,755	22,968	12,544	20,007	98,685	4,659	103,344
Profit and total comprehensive income for the period	-	-	-	-	-	11,767	11,767	1,082	12,849
As at 30 September 2016 (unaudited)	9,600	23,811	9,755	22,968	12,544	31,774	110,452	5,741	116,193
As at 1 April 2017	9,600	23,811	9,755	22,968	12,544	53,351	132,029	3,451	135,480
Profit and total comprehensive income for the period	-	-	-	-	-	2,912	2,912	1,098	4,010
Changes in distribution to non-controlling interests	-	-	-	-	-	-	-	200	200
As at 30 September 2017 (unaudited)	9,600	23,811	9,755	22,968	12,544	56,263	134,941	4,749	139,690

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Net cash (used in)/generated from operating activities	(10,328)	21,911
Net cash (used in)/generated from investing activities	(84,530)	18,028
Net cash (used in)/generated from financing activities	(63,648)	58,272
Net (decrease)/increase in cash and cash equivalents	(158,506)	98,211
Cash and cash equivalents at beginning of the period	194,368	107,150
Cash and cash equivalents at end of the period	35,862	205,361
Represented by:		
Cash and bank balances	88,259	253,381
Less: Pledged bank deposits	(52,397)	(48,020)
	35,862	205,361

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 6 December 2012, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is at 5/F., So Hong Commercial Building, 41, 43, 45 and 47 Jervois Street, Hong Kong.

The Company is an investment holding company and its subsidiaries 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.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the Reporting Period have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules. Intra-group balances and transactions, if any, have been fully and properly eliminated. The accounting policies and basis of preparation adopted in the preparation of the financial statements for the Reporting Period are consistent with those adopted in the Group’s consolidated financial statements for the year ended 31 March 2017.

The unaudited condensed consolidated financial statements for the Reporting Period have not been audited by the Company’s independent auditors, but have been reviewed by the Audit Committee of the Company.

The unaudited condensed consolidated financial statements for the Reporting Period are presented in Hong Kong dollars (“HK\$”), which is the same functional currency of the Company.

3. SEGMENT INFORMATION

Operating segments

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

Geographical information

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

4. REVENUE

The Group's revenue represents amount received and receivable from contract work performed and recognised during the Reporting Period, which is also the Group's turnover, being revenue generated from its principal activities.

5. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company	2,912	11,767
<hr/>		
Number of shares		
	'000	'000
Weighted average number of ordinary shares	960,000	960,000
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Diluted earnings per share were the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the six months ended 30 September 2017 and 2016.

6. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment amounting to approximately HK\$4,379,000 (2016 Interim: approximately HK\$1,128,000).

7. TRADE AND OTHER RECEIVABLES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Trade receivables (<i>Note (a)</i>)	39,378	61,662
Retention receivables (<i>Note (b)</i>)	29,635	27,875
Other receivables	45,356	40,667
Prepayments and deposits	17,044	12,687
	131,413	142,891
Less: Prepayments classified under non-current assets	(7,084)	(3,429)
	124,329	139,462

- (a) Trade receivables were mainly derived from provision of construction work on civil engineering contracts, and non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. The Group grants an average credit period of 21 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within 30 days	39,091	50,997
More than 30 days but within 90 days	277	10,388
More than 90 days but within 180 days	–	30
More than 180 days but within 365 days	10	247
	39,378	61,662

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

8. TRADE AND OTHER PAYABLES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Trade payables (Note (a))	47,560	68,483
Retention payables (Note (b))	46,512	43,691
Other payables and accruals	25,066	25,183
	119,138	137,357

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Current or less than 1 month	13,706	43,770
1 to 3 months	31,400	21,948
More than 3 months but less than one year	2,454	2,765
	47,560	68,483

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

- (b) Retention monies withheld from sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

9. BORROWINGS

Movement in borrowings during the Reporting Period is analysed as follows:

	<i>HK\$'000</i> (Unaudited)
Opening amount as at 1 April 2017	73,902
Proceeds from drawdowns	200,737
Repayments of borrowings	(213,027)
	<hr/>
Closing amount as at 30 September 2017	61,612

Borrowings and banking facilities as at 30 September 2017 and 31 March 2017 are secured by:

- (a) bank deposits amounting to approximately HK\$52,397,000 (31 March 2017: approximately HK\$58,033,000);
- (b) personal guarantees executed by Mr. Wong Yee Tung, Tony ("**Mr. Tony Wong**"), who was an Executive Director of the Company and resigned on 10 November 2017; and corporate guarantees given by certain entities within the Group;
- (c) land and building amounted to approximately HK\$32,745,000 as at 30 September 2017 (31 March 2017: HK\$32,882,000);
- (d) accrued benefits of certain life insurance contracts.

10. SHARE CAPITAL

	The Company	Amount
	Number	HK\$'000
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
At 31 March 2017 and 1 April 2017 and 30 September 2017	2,000,000,000	20,000
Issued and fully paid:		
<i>Ordinary shares of HK\$0.01 each</i>		
At 31 March 2017 and 1 April 2017 and 30 September 2017	960,000,000	9,600

11. RELATED PARTY TRANSACTIONS

The Group entered into the following related party transactions during the Reporting Period:

Name of related parties	Nature of transactions	Six months ended	
		30 September	2016
		2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Ms. Chiu Gar Man (a)	Rental expense (d)	141	141
Shiu Mau Development Limited (b)	Rental expense (d)	495	495
U-Tech Engineering Company Limited (c)	Subcontracting fee (d)	592	742

Notes:

- (a) Ms. Chiu Gar Man is the spouse of Mr. Tony Wong.
- (b) The company is partially and beneficially owned by Mr. Tony Wong.
- (c) U-Tech Engineering Company Limited is a minority partner of the Company's subsidiary, Kwan On – U-Tech Joint Venture.
- (d) The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

Key management compensation amounted to approximately HK\$4,970,000 for the Reporting Period (2016 Interim: approximately HK\$3,676,000).

The amount due to a director is unsecured, interest free and repayable on demand.

12. LITIGATIONS

At the end of the Reporting Period, there were a number of labour claims arising from the normal course of business being lodged against the Group. 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.

13. SUBSEQUENT EVENTS

On 26 October 2017, the Company had completed the subscription agreement dated 1 September 2017 (the "**Subscription Agreement**") in relation to the issue of a total of 140,000,000 new shares in the Company to Sino Coronet Group Limited, who is a substantial shareholder and connected person of the Company. Details are set out in the Company's announcement dated 26 October 2017.

Save as the above, there are no significant events which have taken place subsequent to 30 September 2017.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Zhenghua (*Chairman*)

Mr. Wong Wa

Mr. Zhang Fangbing

Mr. Wong Yee Tung Tony

(resigned on 10 November 2017)

Independent Non-Executive Directors

Prof. Ho Ho Ming

Prof. Lam Sing Kwong, Simon

Mr. Lum Pak Sum

COMPANY SECRETARY

Mr. Ng Sai Cheong

COMPLIANCE OFFICER

Mr. Zhang Fangbing

AUTHORISED REPRESENTATIVES

Mr. Zhang Fangbing

Mr. Ng Sai Cheong

AUDIT COMMITTEE

Mr. Lum Pak Sum (*Chairman*)

Prof. Lam Sing Kwong, Simon

Prof. Ho Ho Ming

REMUNERATION COMMITTEE

Prof. Lam Sing Kwong, Simon (*Chairman*)

Mr. Lum Pak Sum

Mr. Zhang Fangbing

NOMINATION COMMITTEE

Prof. Ho Ho Ming (*Chairman*)

Prof. Lam Sing Kwong, Simon

Mr. Chen Zhenghua

RISK MANAGEMENT COMMITTEE

Mr. Lum Pak Sum (*Chairman*)

Prof. Ho Ho Ming

Prof. Lam Sing Kwong, Simon

AUDITORS

SHINEWING (HK) CPA Limited

LEGAL ADVISER

TC & CO., Solicitors

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Cayman Islands

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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

O-Bank Co. Ltd

United Overseas Bank Limited

Chong Hing Bank Limited

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1559