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KWAN ON HOLDINGS

均安控股

## **KWAN ON HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8305)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2015**

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

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

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

## ANNUAL RESULTS

The board (the “**Board**”) of Directors (the “**Directors**”) of Kwan On Holdings Limited (the “**Company**”) is pleased to announce the audited results of the Company and its **subsidiaries** (collectively referred to as the “**Group**”) for year ended 31 March 2015, together with audited comparative figures for the corresponding preceding year, as follows:

### Consolidated Statement of Comprehensive Income

*For the year ended 31 March 2015*

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Revenue	5	<b>693,150</b>	393,283
Cost of services		<u>(640,336)</u>	<u>(341,666)</u>
Gross profit		<b>52,814</b>	51,617
Other income	5	<b>2,735</b>	948
Other gains and losses	5	<b>224</b>	155
Administrative expenses		<u>(29,815)</u>	<u>(20,509)</u>
Operating profit	6	<b>25,958</b>	32,211
Finance costs	7	<u>(2,514)</u>	<u>(2,793)</u>
Profit before income tax expense		<b>23,444</b>	29,418
Income tax expense	8	<u>(2,364)</u>	<u>(5,790)</u>
Profit and total comprehensive income for the year		<u><b>21,080</b></u>	<u>23,628</u>
<b>Attributable to:</b>			
Owners of the Company		<b>17,410</b>	20,043
Non-controlling interests		<u><b>3,670</b></u>	<u>3,585</u>
		<u><b>21,080</b></u>	<u>23,628</u>
<b>Earnings per share</b>			
– Basic and diluted (cents)	10	<u><b>2.07</b></u>	<u>2.39</u>

## Consolidated Statement of Financial Position

As at 31 March 2015

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>11,753</b>	9,698
Prepayments	14	<b>8,040</b>	5,368
		<u>19,793</u>	<u>15,066</u>
<b>Current assets</b>			
Inventories	12	<b>17,632</b>	12,078
Trade and other receivables	14	<b>130,896</b>	84,326
Tax recoverable		<b>3,268</b>	1,474
Amounts due from shareholders	15	<b>9,492</b>	88
Amounts due from other partners of joint operations		<b>241</b>	43
Pledged bank deposits	16	<b>53,689</b>	24,691
Cash and cash equivalents	16	<b>78,781</b>	67,041
		<u>293,999</u>	<u>189,741</u>
<b>Total assets</b>		<u><b>313,792</b></u>	<u>204,807</u>
<b>Current liabilities</b>			
Amounts due to customers for contract work	13	<b>23,354</b>	66,733
Trade and other payables	17	<b>138,742</b>	64,530
Amount due to a director	15	–	1,950
Amounts due to related parties	15	–	4,675
Amount due to other partner of a joint operation		–	44
Borrowings	18	<b>73,624</b>	41,490
Finance lease payables	19	<b>121</b>	118
Current tax liabilities		<b>38</b>	6,686
		<u>235,879</u>	<u>186,226</u>
<b>Net current assets</b>		<u><b>58,120</b></u>	<u>3,515</u>
<b>Total assets less current liabilities</b>		<u><b>77,913</b></u>	<u>18,581</u>

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Finance lease payables	19	<b>115</b>	236
Deferred tax liabilities	20	<b>433</b>	514
		<u>548</u>	<u>750</u>
<b>Total liabilities</b>		<u><b>236,427</b></u>	<u>186,976</u>
<b>NET ASSETS</b>			
		<u><b>77,365</b></u>	<u>17,831</u>
<b>Capital and Reserves</b>			
Share capital	21	<b>9,600</b>	32,733
Reserves	22	<b>62,082</b>	(19,315)
Equity attributable to owners of the Company		<b>71,682</b>	13,418
<b>Non-controlling interests</b>		<b>5,683</b>	4,413
<b>TOTAL EQUITY</b>		<u><b>77,365</b></u>	<u>17,831</u>

**Consolidated Statement of Changes in Equity**  
*For the year ended 31 March 2015*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2015*

### 1. GENERAL

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

The Company’s shares were listed on the GEM of the Stock Exchange on 27 March 2015.

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

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

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

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

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

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

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

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

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

<sup>1</sup> Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2018

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

**3. GROUP REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION**

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

#### 4. SEGMENT INFORMATION

##### Operating segments

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

##### Geographical information

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

##### Information about major customers

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

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

\* Less than 10% of the Group's revenue



## 5. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

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

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

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

## 6. OPERATING PROFIT

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

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

## 7. FINANCE COSTS

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

## 8. INCOME TAX EXPENSE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax – Hong Kong profits tax – tax for the year	2,445	6,360
Deferred tax ( <i>Note 20</i> )	(81)	(570)
Income tax expense	<u>2,364</u>	<u>5,790</u>

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

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

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

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

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

## 9. DIVIDENDS

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

## 10. EARNINGS PER SHARE

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

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

*Note:*

Weighted average of 840,000,000 ordinary shares for the year ended 31 March 2014, being the number of shares in issue immediately after the completion of capitalisation issue of shares as detailed in Note 21(d), are deemed to have been issued throughout the year ended 31 March 2014 and up to 26 March 2015, immediately before the completion of the placing of shares during the year ended 31 March 2015.

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

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

## 11. PROPERTY, PLANT AND EQUIPMENT

	Machinery <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>					
At 1 April 2013	15,468	4,782	11,901	–	32,151
Additions	353	993	3,082	–	4,428
Disposals	(1,003)	–	(956)	–	(1,959)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014 and 1 April 2014	14,818	5,775	14,027	–	34,620
Additions	2,450	315	2,863	1,103	6,731
Disposals	(280)	–	(1,514)	–	(1,794)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	16,988	6,090	15,376	1,103	39,557
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
<b>Accumulated depreciation</b>					
At 1 April 2013	12,970	1,458	7,860	–	22,288
Provided for the year	1,261	997	1,850	–	4,108
Eliminated on disposals	(527)	–	(947)	–	(1,474)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014 and 1 April 2014	13,704	2,455	8,763	–	24,922
Provided for the year	827	1,133	2,482	138	4,580
Eliminated on disposals	(280)	–	(1,418)	–	(1,698)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	14,251	3,588	9,827	138	27,804
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<b>Net book value</b>					
At 31 March 2015	2,737	2,502	5,549	965	11,753
	<hr style="border-top: 3px double;"/>	<hr style="border-top: 3px double;"/>	<hr style="border-top: 3px double;"/>	<hr style="border-top: 3px double;"/>	<hr style="border-top: 3px double;"/>
At 31 March 2014	1,114	3,320	5,264	–	9,698
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The net carrying amount of property, plant and equipment includes the following assets held under finance leases (Note 19).

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Motor vehicles	<b>184</b>	331
	<u><u>184</u></u>	<u><u>331</u></u>
<b>12. INVENTORIES</b>		
	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Construction materials	<b>17,233</b>	5,327
Contract work in progress	<b>399</b>	6,751
	<u>17,632</u>	<u>12,078</u>
	<u><u>17,632</u></u>	<u><u>12,078</u></u>
<b>13. AMOUNTS DUE TO CUSTOMERS FOR CONTRACT WORK</b>		
	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Contracts in progress at the end of the year:		
Contract costs incurred	<b>1,637,270</b>	1,252,851
Recognised profits less recognised losses	<b>185,997</b>	114,865
	<u>1,823,267</u>	<u>1,367,716</u>
	<b>1,823,267</b>	1,367,716
Less: progress billings	<b>(1,846,621)</b>	(1,434,449)
	<u>(23,354)</u>	<u>(66,733)</u>
	<u><u>(23,354)</u></u>	<u><u>(66,733)</u></u>
Represented by:		
Amounts due to customers for contract work	<b>(23,354)</b>	(66,733)
	<u><u>(23,354)</u></u>	<u><u>(66,733)</u></u>

As at 31 March 2015, retentions held by customers for contract work included in trade and other receivables (Note 14) amounted to approximately HK\$15,743,000 (2014: approximately HK\$11,100,000).

#### 14. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables ( <i>Note (a)</i> )	91,427	49,663
Retention receivables ( <i>Note (b) and Note 13</i> )	15,743	11,100
Other receivables ( <i>Note (c)</i> )	8,014	9,667
Prepayments and deposits	23,752	19,264
	<hr/>	<hr/>
	138,936	89,694
Less: Prepayments classified under non-current assets ( <i>Note (d)</i> )	(8,040)	(5,368)
	<hr/>	<hr/>
	<b>130,896</b>	84,326
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- (a) Trade receivables were mainly derived from provision of construction work on civil engineering contracts, and are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Largest customer	59,920	17,577
Five largest customers	91,372	49,252
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The following is an analysis of trade receivables by age, presented based on the invoice dates:

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

The ageing of trade receivables that are not individually nor collectively considered to be impaired is as follows:

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

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

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

(b)

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

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.

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

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

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

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

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

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

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



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

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

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

Particulars of the amounts due from shareholders are as follows:

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

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

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

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

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

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

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

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

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

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

## 16. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS/BANK OVERDRAFTS

### Pledged bank deposits/Cash and cash equivalents

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

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

The Group has pledged its short-term deposits in order to fulfill collateral requirements from the bank (see Note 18 for further details).

### Bank overdrafts

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

Details of securities for the bank overdrafts and other banking facilities are set out in Note 18.

## 17. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables ( <i>Note (a)</i> )	79,239	28,162
Retention payables ( <i>Note (b)</i> )	27,191	13,807
Other payables and accruals ( <i>Note (c)</i> )	32,312	22,561
	<hr/>	<hr/>
	<u>138,742</u>	<u>64,530</u>

- (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:

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

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

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

## 18. BORROWINGS

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

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

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

**Bank loans:**

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

- (a) a leasehold land and building held by a related company partially and beneficially owned by Mr. Tony Wong;
- (b) accrued benefits of a life insurance contract for Mr. Tony Wong, which was surrendered on 19 March 2014 and the loan secured by this contract was settled on 25 March 2014;
- (c) bank deposits amounting to approximately HK\$53,689,000 and HK\$24,691,000 as at 31 March 2015 and 2014 respectively (Note 16);
- (d) proceeds on certain civil engineering contracts undertaken by the Group;
- (e) personal guarantees executed by Mr. Tony Wong and Mr. Kwong and corporate guarantees given by certain entities within the Group;
- (f) guarantees in favour of the Group for an amount of HK\$4,000,000 with risk sharing factor of 80% as at 31 March 2015 and 2014, under The Special Loan Guarantee Scheme operated by the Hong Kong Government;
- (g) guarantees to the extent of approximately HK\$4,879,000 and HK\$6,800,000 as at 31 March 2015 and 2014 respectively, under The SME Financing Guarantee Scheme operated by the Hong Kong Mortgage Corporation Limited;
- (h) proceeds on certain insurance policy of a civil engineering contract undertaken by the Group;
- (i) a personal guarantee executed by a director of a subsidiary; and
- (j) corporate guarantee executed by a related company.

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

**Other loan:**

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

## 19. LEASES

### Finance leases

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

Future lease payments are due as follows:

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

### Operating leases – lessee

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

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

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

## 20. DEFERRED TAX

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

	<b>Accelerated depreciation allowances</b> <i>HK\$'000</i>
At 1 April 2013	1,084
Credited to profit or loss for the year ( <i>Note 8</i> )	(570)
	<hr/>
At 31 March 2014 and 1 April 2014	514
Credited to profit or loss for the year ( <i>Note 8</i> )	(81)
	<hr/>
At 31 March 2015	<u>433</u>

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

## 21. SHARE CAPITAL

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



- (a) The Company was incorporated in the Cayman Islands on 6 December 2012 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same date, one ordinary share of HK\$0.01 was issued to Codan Trust Company (Cayman) Limited at nil paid, and was transferred to Twilight Treasure Limited at nil consideration. Pursuant to the written resolutions passed on 16 March 2015, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 ordinary shares.
- (b) The share capital of the Group as at 31 March 2014 represented the aggregate amount of the share capital of the subsidiaries and such amount was offset against the merger reserve upon the Group Reorganisation.
- (c) On 16 March 2015, the Company acquired the entire equity interest in Win Vision from Fortune Decade and Twilight Treasure Limited for a consideration of approximately HK\$22,978,000, which the Company settled by allotting and issuing its 533,300 ordinary shares to Fortune Decade and 466,699 ordinary shares to Twilight Treasure Limited, all credited as fully paid.
- (d) Pursuant to written resolutions passed on 16 March 2015, the directors were authorised to capitalise a sum of approximately HK\$8,390,000 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 839,000,000 ordinary shares of the Company (“**Capitalisation Issue**”).
- (e) Under the placing took place during the year, 120,000,000 new ordinary shares of HK\$0.01 each were issued at a price of HK\$0.3 per share for a total cash consideration (before share issuance expenses) of approximately HK\$36,000,000.

## 22. 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.

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

(a) **Share premium**

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

(b) **Merger reserve**

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

(c) **Contributed surplus**

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

**(d) Capital reserve**

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

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

**(e) Accumulated losses**

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

**23. LITIGATIONS**

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

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

- (b) In about October 2012, an employee of Director of Lands sued against Kwan On, Secretary of Justice (sued on behalf of Director of Lands) and one other defendant in respect of a claim for personal injury sustained by him in his course of employment arising out of the alleged negligence and/or breach of statutory duty and/or breach of common duty of care under the Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) in an accident happened on 11 November 2009 at a construction site alleged to be occupied and managed by Kwan On. No specific amount of claim was stated in the writ of proceeding. By a letter dated 14 November 2014 from the plaintiff's solicitor to Kwan On, Kwan On was informed that the plaintiff proposed a sanctioned offer of HK\$185,000. On 11 February 2015, an agreement was reached by all parties whereby the plaintiff agreed to accept the sum of HK\$120,000 (inclusive of interest but on top of the compensation under the Employees' Compensation Ordinance already received by the plaintiff) in full and final settlement of his claims in these proceedings and all his claims arising out of and in connection with the alleged accident happened on 11 November 2009, of which HK\$80,000 would be borne and has been paid by Kwan On at the end of the year.
- (c) In about November 2013, an employee of a subcontractor of Univic Engineering Limited ("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 advice from the Group's legal counsel, the Group has a valid defence against the claim and accordingly has not provided for any claim arising from the litigation.

- (e) In about April 2014, an employee of a subcontractor of UEL sued against such subcontractor and UEL in respect of a claim for personal injury sustained by him in his course of employment in an accident happened on 28 June 2012 at a construction site alleged to be occupied and managed by the said subcontractor. Approximately HK\$2.7 million plus interest is claimed under this action. No settlement has been reached and no judgement has been entered against Kwan On in respect of the above action. The Plaintiff of the said action is the applicant of the District Court Action in Note 37(c). In the opinion of the Directors, based on advice from the Group's legal counsel, the Group has a valid defence against the claim and the claim amount is rather excessive. Accordingly, the Group has not provided for any claim arising from the litigation.
- (f) In about May 2014, an employee of Univic Construction Resources Limited ("UCRL") sued against UCRL and Kwan On in respect of a claim for employees' compensation under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) for personal injury sustained by the employee in an accident happened on or about 13 July 2012 arising out of and in the course of his employment. According to the Certificate of Assessment of the Employees' Compensation (Ordinary Assessment) Board dated 12 March 2014, the loss of earning capacity permanently caused by the injury is 3.5%. Accordingly, it is estimated that the compensation payable under the said action to be approximately HK\$59,000. In about April 2015, the employee of UCRL further sued against UCRL and Kwan On to the High Court in respect of a claim for personal injury in relation to the aforesaid accident. No judgements have been made against the UCRL and Kwan On in respect of aforesaid actions. In the opinion of the Directors, the Group has taken out the necessary employees' compensation policy to cover its liability against the said proceedings.
- (g) In about December 2014, a District Court Action was commenced by an employee of UCRL against UCRL as the first respondent and Kwan On as the second respondent in respect of a claim for employees' compensation under the Employees' Compensation Ordinance for personal injury sustained by the employee in an accident happened on or about 9 December 2012 arising out of and in the course of his employment. No specific amount of claim was stated in the writ of proceeding. According to the Certificate of Assessment of the Employees' Compensation (Ordinary Assessment) Board dated 27 October 2014, the loss of earning capacity permanently caused by the injury is 2%. Accordingly, it is estimated that the compensation payable under the said action will amount to approximately HK\$37,000.
- (h) In about June 2015, an employee of a subcontractor of Kwan On commenced a District Court Action against a subcontractor of Kwan On as the first respondent and Kwan On as the second respondent in respect of a claim for employees' compensation under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) for personal injury sustained by the employee in an accident happened on or about 4 January 2014 arising out of and in the course of his employment. No specific amount of claim was stated in the writ of proceeding. No settlement has been reached and no judgement 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.

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, believe that the Group has a valid defence against the claim and, accordingly not provided for any claim arising from the litigation.

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTRODUCTION

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

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

### BUSINESS REVIEW

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

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

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

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	19 January 2016	75.08	36.29	38.79
20130375	HA	Main Engineering Infrastructure in association with the Proposed Developments at Area 56 in Tung Chung	1 March 2016	40.00	5.56	34.44
GE/2013/16	CEDD	Landslip Prevention and Mitigation Programme, 2008, Package N, Landslip Prevention and Mitigation Works in Sham Wat, Tai O East, Upper Keung Shan and Keung Shan Road East in West Lantau	17 June 2017	192.26	8.09	184.17
Total					890.40	1,075.07

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

### 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	21 September 2015	276.59	276.59	268.92	7.67
4/WSD/11	WSD	Construction of Butterfly Valley Fresh Water Primary Service Reservoir Extension and Associated Mainlaying	11 May 2017	285.80	145.76	81.05	64.71
9/WSD/13	WSD	Water supply to Pak Shek Kok reclamation area, Tai Po – stage 2 phase 2	17 November 2016	56.18	28.09	14.88	13.21
Total					450.44	364.85	85.59

## FINANCIAL REVIEW

### Revenue

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

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

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

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

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

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



## Cost of services

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

## Gross profit and gross profit margin

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

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

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

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

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

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

### **Other income**

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

### **Administrative expenses**

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

### **Finance costs**

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

### **Income tax expense**

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

### **Profit and total comprehensive income**

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

### **LIQUIDITY AND FINANCIAL RESOURCES**

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

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

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

### **CAPITAL STRUCTURE**

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

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

### **COMMITMENTS**

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

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

### **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 year ended 31 March 2015, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies saved for those related to the Group Reorganisation.

## **SIGNIFICANT INVESTMENTS**

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

## **CONTINGENT LIABILITIES**

As at 31 March 2015 and 2014, the Group was involved in certain litigation cases, details of which are set out in Note 23 to this announcement.

## **FOREIGN EXCHANGE EXPOSURE**

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

## **TREASURY POLICIES**

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

## **CHARGE OF GROUP'S ASSETS AND SECURITIES FOR BANKING FACILITIES**

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

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

- (a) a leasehold land and building held by a related company partially and beneficially owned by Mr. Tony Wong;
- (b) accrued benefits of a life insurance contract for Mr. Tony Wong which was surrendered on 19 March 2014 and the loan secured by this contract was settled on 25 March 2014;

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

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

## **EMPLOYEES AND REMUNERATION POLICIES**

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

## **DIVIDENDS**

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

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

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

## **PROSPECT AND OUTLOOK**

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

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

## **OTHER INFORMATION**

### **Corporate Governance Practice**

The shares of the Company has been successfully listed on the GEM of the Stock Exchange on 27 March 2015 (“**Listing Date**”). The Board recognised that the transparency and accountability is 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 code provisions of the CG Code for the period from the Listing Date to 31 March 2015 except the deviation from the code provision A.1.8.

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

### **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. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors throughout the period from the Listing Date to 31 March 2015.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

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

### **Interests in Competing Business**

As at the date of this announcement, 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 2015. The independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the Covenators of the Undertaking given by them.

### **Interests of the Compliance Adviser**

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

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

### **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 announcement.

### **Scope of work of BDO Limited**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2015 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited 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 BDO Limited on the preliminary announcement.

### **Subsequent Events**

Except for certain litigations taken place subsequent to 31 March 2015 as disclosed in Note 23 of this announcement, there is no other significant event after the reporting period of the Group.

### **Sufficiency of Public Float**

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Directors confirm that the Company has maintained sufficient public float as required under the GEM Listing Rules.

### **Audit Committee**

The Company established the audit committee on 16 March 2015 (the "**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules 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 consolidated financial statements of the Group for the year ended 31 March 2015 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2015 have complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

### **Publication of 2015 Annual Report**

The 2015 annual report of the Company containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at <http://www.kwanonconstruction.com> and the website of the Stock Exchange at <http://www.hkexnews.hk>.

By order of the Board  
**Kwan On Holdings Limited**  
**Wong Yee Tung Tony**  
*Managing Director*

Hong Kong, 26 June 2015

*As at the date of this announcement, the executive Directors are Mr. Wong Yee Tung Tony, Mr. Kwong Wing Kie and Mr. Chung Chi Ngong; and the independent non-executive Directors are Mr. Ho Ho Ming, Prof. Lam Sing Kwong Simon and Mr. Chan Chung Kik Lewis.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 announcement 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 announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) for 7 days from the date of its posting. This announcement will also be posted on the Company’s website at [www.kwanonconstruction.com](http://www.kwanonconstruction.com).*