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 2016

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 2016 (the "**Reporting Year**"), together with audited comparative figures for the corresponding preceding year, as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Revenue	4	**719,770**	693,150
Cost of services		**(662,485)**	(640,336)
Gross profit		**57,285**	52,814
Other income	4	**3,372**	2,735
Other gain and loss	4	**(493)**	224
Administrative expenses		**(23,917)**	(29,815)
Finance costs	6	**(4,462)**	(2,514)
Profit before tax		**31,785**	23,444
Income tax expense	7	**(4,006)**	(2,364)
Profit and total comprehensive income for the year	5	**27,779**	21,080
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**27,003**	17,410
Non-controlling interests		**776**	3,670
		27,779	21,080
Earnings per share			
Basic and diluted *(HK cents)*	9	**2.81**	2.07

Consolidated Statement of Financial Position
As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current asset			
Property, plant and equipment		**8,817**	11,753
Prepayments		**8,422**	8,040
		17,239	19,793
Current assets			
Inventories		**11,670**	17,632
Amounts due from customers for contract work		**1,567**	–
Trade and other receivables	10	**141,200**	130,896
Tax recoverable		**3,934**	3,268
Amounts due from shareholders		**–**	9,492
Amounts due from other partners of joint operations		**484**	241
Pledged bank deposits		**66,729**	53,689
Bank balances and cash		**107,150**	78,781
		332,734	293,999
Current liabilities			
Amounts due to customers for contract work		**30,226**	23,354
Trade and other payables	11	**139,797**	138,742
Amounts due to other partner of a joint operation		**27**	–
Bank borrowings	12	**72,441**	73,624
Finance lease payables		**115**	121
Income tax payable		**3,966**	38
		246,572	235,879
Net current assets		**86,162**	58,120
Total assets less current liabilities		**103,401**	77,913

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Non-current liabilities			
Finance lease payables		**–**	115
Deferred tax liability		**57**	433
		57	548
NET ASSETS		**103,344**	77,365
Capital and reserves			
Share capital	13	**9,600**	9,600
Reserves		**89,085**	62,082
Equity attributable to owners of the Company		**98,685**	71,682
Non-controlling interests		**4,659**	5,683
TOTAL EQUITY		**103,344**	77,365

1. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

Annual Improvements to HKFRSs 2010 – 2012 Cycle

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

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

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

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

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

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

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

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

Annual Improvements to HKFRSs 2011 – 2013 Cycle

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

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

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

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

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

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

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

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

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

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

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

New and revised HKFRSs issued but not yet effective

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

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

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

2 Effective for annual periods beginning on or after 1 January 2018.

3 Effective date not yet been determined.

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

HKFRS 9 (2014) Financial Instruments

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

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

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

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

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers

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

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

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

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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

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

Annual Improvements to HKFRSs 2012 – 2014 Cycle

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

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

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

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

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

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

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

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

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

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

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

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

Amendments to HKAS 1 Disclosure Initiative

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

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

Furthermore, the amendments clarify that:

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

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

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

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

3. SEGMENT INFORMATION

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

Geographical information

All of the Group's revenue was derived from Hong Kong, based on the location of the customers, and all of its non-current assets were located in Hong Kong, based on the location of assets.

Information about major customers

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

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

4. REVENUE, OTHER INCOME AND OTHER GAIN AND LOSS

Revenue

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

Other income and other gain and loss

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

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

5. PROFIT FOR THE YEAR

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

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

6. FINANCE COSTS

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

7. INCOME TAX EXPENSE

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

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

8. DIVIDEND

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

9. EARNINGS PER SHARE

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

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

Number of shares

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

Weighted average of approximately 841,644,000 ordinary shares for the year ended 31 March 2015, was calculated based on the weighted average of approximately 1,644,000 ordinary shares issued immediately after the completion of the placing of shares during the year ended 31 March 2015 in addition to the 840,000,000 ordinary shares which represented the number of shares in issue immediately after the completion of capitalisation issue of shares as detailed in Note 13 (iv).

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

10. TRADE AND OTHER RECEIVABLES

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

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

The Group allows an average credit period of 21 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date at the end of the Reporting Year.

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

11. TRADE AND OTHER PAYABLES

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

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

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

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

12. BANK BORROWINGS

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

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

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

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

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

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

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

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

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

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

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

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

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

13. SHARE CAPITAL

	Number	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2014	38,000,000	380
Increase in authorised share capital on 16 March 2015 *(Note (i))*	1,962,000,000	19,620
At 31 March and 1 April 2015 and 31 March 2016	2,000,000,000	20,000
Issued and fully paid		
Ordinary shares of HK$0.01 each		
At 1 April 2014	1	–
Issue of shares upon group reorganisation *(Note (iii))*	999,999	10
Capitalisation issue of shares *(Note (iv))*	839,000,000	8,390
Issue of shares by placing *(Note (v))*	120,000,000	1,200
At 31 March and 1 April 2015 and 31 March 2016	960,000,000	9,600

Notes:

(i) The Company was incorporated in the Cayman Islands on 6 December 2012 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. On the same date, one ordinary share of HK$0.01 was issued to Codan Trust Company (Cayman) Limited at nil paid, and was transferred to Twilight Treasure Limited ("**Twilight Treasure**") at nil consideration. Pursuant to the written resolutions passed on 16 March 2015, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional 1,962,000,000 ordinary shares.

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

(iii) On 16 March 2015, the Company acquired the entire equity interest in Win Vision Holdings Limited ("**Win Vision**") from Fortune Decade and Twilight Treasure for a consideration of approximately HK$22,978,000, which the Company settled by allotting and issuing its 533,300 ordinary shares to Fortune Decade and 466,699 ordinary shares to Twilight Treasure, all credited as fully paid.

(iv) Pursuant to a written resolution of the directors passed on 16 March 2015, the Directors were authorised to capitalise a sum of approximately HK$8,390,000 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 839,000,000 ordinary shares of the Company (the "Capitalisation Issue").

(v) Under the placing took place during the year ended 31 March 2015, 120,000,000 new ordinary shares of HK$0.01 each were issued at a price of HK$0.3 per share for a total cash consideration (before share issuance expenses) of approximately HK$36,000,000.

14. 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 during the year ended 31 March 2015.

(b) In about October 2012, an employee of Director of Lands sued against Kwan On, Secretary of Justice (sued on behalf of Director of Lands) and one other defendant in respect of a claim for personal injury sustained by him in his course of employment arising out of the alleged negligence and/or breach of statutory duty and/or breach of common duty of care under the Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) in an accident happened on 11 November 2009 at a construction site alleged to be occupied and managed by Kwan On. No specific amount of claim was stated in the writ of proceeding. By a letter dated 14 November 2014 from the plaintiff's solicitor to Kwan On, Kwan On was informed that the plaintiff proposed a sanctioned offer of HK$185,000. On 11 February 2015, an agreement was reached by all parties whereby the plaintiff agreed to accept the sum of HK$120,000 (inclusive of interest but on top of the compensation under the Employees' Compensation Ordinance already received by the plaintiff) in full and final settlement of his claims in these proceedings and all his claims arising out of and in connection with the alleged accident happened on 11 November 2009, of which HK$80,000 would be borne and has been paid by Kwan On during the year ended 31 March 2015.

(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. The Plaintiff of the said action is also the applicant of the District Court Action in Note 14(c). Based on the further advice from the Group's legal counsel during the year ended 31 March 2016, the claim amount is rather excessive and the Group's counsel has assessed the quantum to be approximately HK$703,000. Accordingly, the Group has provided for approximately HK$703,000 to this claim for the year ended 31 March 2016.

(f) In about May 2014, an employee of 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. The employee further filed an action on 4 December 2015 to the High Court to claim for personal injury in relation to the aforesaid accident for amount of approximately HK$4.1 million. In the opinion of the Directors, based on the advice from the Group's legal counsel, the claim amount is rather excessive. Accordingly, the Group has not provided for any claim arising from the litigation.

(h) In about June 2015, an employee of a subcontractor of Kwan On commenced a District Court Action against a subcontractor of Kwan On as the first respondent and Kwan On as the second respondent in respect of a claim for employees' compensation under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) for personal injury sustained by the employee in an accident happened on or about 4 January 2014 arising out of and in the course of his employment for the amount of approximately HK$964,000 plus interest. No settlement has been reached and no 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.

(i) In about August 2015, an employee of a subcontractor of Kwan On-U-Tech Joint Venture ("**KOUT JV**") commenced a District Court Action against a subcontractor of KOUT JV and KOUT JV as the second respondent in respect of a claim for employees' compensation under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) for personal injury sustained by the employee in an accident happened on or about December 2013 arising out of and in the course of his employment for the amount of approximately HK$964,000 plus interest. No settlement has been reached and no judgment has been entered against Kwan On in respect of the above action. In the opinion of the Directors, the Group has taken out necessary employees' compensation policy to cover its liability against the said proceeding.

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

(k) In about October 2015, an employee of subcontractor of Kwan On sued against Kwan On in respect of a claim for employees' compensation under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) for personal injury sustained by the employee in an accident happened on or about November 2014 arising out of and in the course of his employment. According to the Certificate of Assessment of the Employees' Compensation (Ordinary Assessment) Board dated 24 March 2016, the loss of earning capacity permanently caused by the injury is 3%. No judgements have been made against the UCRL and Kwan On in respect of aforesaid actions. In the opinion of the Directors, the Group has taken out the necessary employees' compensation policy to cover its liability against the said proceedings.

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

(m) 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 the hearing of these prosecutions have been adjourned to 4 May 2016. In the opinion of the Directors, based on the advice from the legal counsel, the Group has valid defence against the prosecutions and accordingly no provision has been made for the aforementioned prosecutions.

(n) Fortune Decade and Twilight Treasure, have undertaken to jointly and severally indemnify and at all times keep the Group indemnified against all the costs and liabilities incurred by them in relation to those outstanding or unsettled legal and arbitration proceedings, investigations, prosecutions and/or claims, to the extent that such costs and liabilities are resulting from or by reference to any event or circumstances occurred on or before the date on which the trading of the shares first commence on GEM (the "Listing Date") (which, for the avoidance of doubts, 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 in the provision of (i) waterworks engineering services; (ii) road works and drainage services and site formation works; (iii) landslip preventive and mitigation works to slopes and retaining walls services ("**LPM Services**"); and (iv) building works as a contractor in Hong Kong.

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

BUSINESS REVIEW AND OUTLOOK AND PROSPECT

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

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

Contract number	Customer	Particular of contract	Original/ extended date for completion	Estimated Contract sum *HK$ million*	Value of works certified *HK$ million*	Outstanding contract value *HK$ million*
Tendered by Kwan On Construction						
15/WSD/11	Water Supplies Department ("WSD")	Replacement and Rehabilitation of Water Mains, Stage 4 Phase 2 – Mains on Outlying Islands	5/4/2016[1]	164.5	124.6	39.9
DC/2012/05	Drainage Service Department	Sewerage at Yuen Long Kau Hui and Shap Pat Heung	6/9/2016	160.9	137.6	23.3
KL/2012/03	Civil Engineering and Development Department ("CEDD")	Kai Tak Development – Stage 4 infrastructure at former north apron area	2/9/2017	830.2	427.2	403.0
GE/2012/11	CEDD	Landslip Prevention and Mitigation Programme, 2009, Package C, Landslip Prevention and Mitigation Works in Lantau and Hei Ling Chau	8/1/2016[1]	88.3	81.9	6.4
GE/2013/06	CEDD	Landslip Prevention and Mitigation Programme, 2008, Package J, Landslip Prevention and Mitigation Works in New Territories	4/11/2015[1]	121.3	112.6	8.7

Contract number	Customer	Particular of contract	Original/ extended date for completion	Estimated Contract sum *HK$ million*	Value of works certified *HK$ million*	Outstanding contract value *HK$ million*
GE/2013/17	CEDD	Landslip Prevention and Mitigation Programme, 2008, Package M, Landslip Prevention and Mitigation Works in Lantau North	27/12/2015[(1)]	75.2	67.9	7.3
20130375	Housing Authority	Main Engineering Infrastructure in Association with The Proposed Developments at Area 56 in Tung Chung	29/2/2016[(1)]	40.0	22.4	17.6
GE/2013/16	CEDD	Landslip Prevention and Mitigation Programme, 2008, Package N, Landslip Prevention and Mitigation Works in Sham Wat, Tai O East, Upper Keung Shan, and Keung Shan Road East in West Lantau	18/6/2017	106.6	49.9	56.7
CV/2015/01	CEDD	Provision of Universal Access Facilities for Highway Structures – Package 1 Contract 2	8/11/2019	254.1	7.1	247.0
CDO2015034	The Chinese University of Hong Kong	Slope Stability Improvement Works – Package JJ Natural Terrain Hazard Mitigation Works for Slop above Campus Circuit East (Natural Terrain Ref. No. NT01)	17/9/2016	15.2	–	15.2
GW/2015/05/038	West Kowloon Cultural District Authority	Public Infrastructure Works for Phase 1 Development of West Kowloon Cultural District (Package 1)	9/1/2018	128.9	15.0	113.9
Total					1,046.2	939.0

Tendered by the Group's joint venture or joint operations

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

Comparison of Business Objectives with Actual Business Progress

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

Cost of services

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

Gross profit and gross profit margin

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

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

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

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

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

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

Other income

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

Administrative expenses

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

Finance costs

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

Income tax expense

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

Profit and total comprehensive income

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

CAPITAL STRUCTURE

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

As at 31 March 2016, the Company's issued share capital was HK$9.6 million and the number of ordinary shares issued was 960,000,000 of HK$0.01 each.

COMMITMENTS

The Group was committed to make future minimum lease payments in respect of properties under non-cancellable operating leases. The Group's operating lease commitments amounted to approximately HK$3.8 million as at 31 March 2016 (2015: approximately HK$5.3 million). As at 31 March 2016, the Group did not have any significant capital commitments (2015: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the Reporting Year, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS

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

CONTINGENT LIABILITIES

As at 31 March 2016, the Group was involved in certain litigations, details of which are set out in Note 14 to this announcement.

FOREIGN EXCHANGE EXPOSURE

The Group was not exposed to foreign exchange risk during the Reporting Year (2015: Nil).

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group's credit risk is primarily attributable to trade and retention receivables and deposits with banks. The credit risk of the Group's trade and retention receivables is concentrated since approximately 76% of which was derived from two major customers as at 31 March 2016 (2015: approximately 93%). As the customers of the Group are mainly government departments/organisation, the credit risk is considered to be low. The Group's major bank balances are deposited with banks with good reputation and hence the management does not expect any losses from nonperformance by these banks. In relation to the management of liquidity risk, the Group's policy is to regularly monitor the liquidity requirements in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet the liquidity requirements in short and long term.

CHARGE OF GROUP'S ASSETS AND SECURITIES FOR BANKING FACILITIES

As at 31 March 2016, the Group pledged bank deposits amounted to approximately HK$66.7 million (2015: approximately HK$53.7 million) as securities for banking facilities.

Further details of the banking facilities granted to the Group are set out in Note 12 to this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group employed a total of 444 employees, comprising 277 staff employed on a full-time basis and 167 casual workers. Staff costs, including Directors' emoluments, of the Group amounted to approximately HK$101.8 million for the Reporting Year (2015: approximately HK$86.0 million). Remuneration of the employees is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

SHARE OPTION SCHEME

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

LITIGATIONS

As at 31 March 2016, the Group was involved in certain litigations, details of which are set out in Note 14 to this announcement.

PROSPECT

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

Looking ahead, the Group will endeavor to strengthen the development of its existing businesses and to provide steady return as well as growth prospects for the Company's shareholders.

OTHER INFORMATION

Corporate Governance Practice

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

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

In the opinion of the Board, the Company has complied with the provisions of the CG Code for the year ended 31 March 2016.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them to the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results of the Group. Having made specific enquiries with the Directors, our Directors have confirmed that they have complied with the required standard of dealings regarding securities transactions by the Directors throughout the year ended 31 March 2016.

Purchase, Sale or Redemption of Listed Securities

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

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

The independent non-executive Directors have also reviewed the compliance by each of the Covenators with the Undertaking during the period from the Listing Date to 31 March 2016. The independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the Covenators of the Undertaking given by them.

Interests of the Compliance Adviser

As notified by the Company's compliance advisor, Dakin Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 1 February 2016 (the "**Compliance Adviser's Agreement**"), neither the Compliance Adviser nor its directors, employees or associates had any interest in the securities to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

CHANGE IN COMPLIANCE ADVISER

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

Subsequent Events

There is no significant event after the Reporting Year of the Group.

Sufficiency Of Public Float

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

Audit Committee

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

Publication of 2016 Annual Report

The 2016 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, 3 May 2016

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 for 7 days from the date of its posting. This announcement will also be posted on the Company's website at www.kwanonconstruction.com.