The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.

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23 March 2015

The Directors
Kwan On Holdings Limited
Messis Capital Limited

Dear Sirs

We set out below our report on the financial information of Kwan On Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") which comprises the combined statements of financial position of the Group as at 31 March 2013 and 2014 and 30 September 2014 and the Company's statements of financial position as at 31 March 2013 and 2014 and 30 September 2014, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 March 2013 and 2014 and the six months ended 30 September 2014 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes (the "Financial Information"), together with the comparative financial information of the Group including the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows of the Group for the six months ended 30 September 2013 (the "Comparative Financial Information"), prepared on the basis of presentation set out in Note 1 of Section II below, for inclusion in the prospectus of the Company dated 23 March 2015 (the "Prospectus") in connection with the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM of the Stock Exchange").

The Company was incorporated in the Cayman Islands on 6 December 2012 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the group reorganisation completed on 16 March 2015 (the "Reorganisation") as detailed in Note 1 of Section II below, the Company became the holding company of the subsidiaries now comprising the Group. The Company has not carried out any business since the date of its incorporation, except for the aforementioned reorganisation. 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.

Other than Kwan On Construction Company Limited, Univic Earthworks Limited, Kwan On – U-Tech 1 and Win Vision Holdings Limited, all companies comprising the Group during the Relevant Periods have adopted 31 December as their financial year end date for statutory reporting purposes. As at the date of this report, the Company had direct or indirect interests in the subsidiaries as set out below, all of which are private entities. The details of the statutory auditors of these subsidiaries are also set out below.

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business	Note
		Direct	*Indirect*			
Win Vision Holdings Limited ("Win Vision")	British Virgin Islands (the "BVI"), 10 August 2012, limited liability company	100%	–	US$10,000 divided into 10,000 shares of US$1 each	Investment holding, Hong Kong	
Kwan On Construction Company Limited ("Kwan On")	Hong Kong, 28 May 1991, limited liability company	–	100%	HK$24,850,000 divided into 24,850,000 shares of HK$1 each	Civil engineering construction, Hong Kong	(a)
Univic Engineering Limited ("UEL")	Hong Kong, 23 April 1980, limited liability company	–	100%	HK$6,300,200 divided into 63,002 shares of HK$100 each	Provision of contracting work on civil plumbing, fire protection, insulation, concrete repairs and related activities, Hong Kong	(b)
Univic Engineering & Construction Limited (Formerly Univic International Limited)	Hong Kong, 9 September, 1975, limited liability company	–	100%	HK$1,403,500 divided into 1,403,500 shares of HK$1 each	Provision of civil, plumbing and fire protection engineering contract services, Hong Kong	(b)
Univic Earthworks Limited	Hong Kong, 30 May 2003, limited liability company	–	100%	HK$90,000 divided into 90,000 shares of HK$1 each	Provision of civil and plumbing engineering contract services, Hong Kong	(a)
Univic Building Contractors Limited	Hong Kong, 13 July 1993, limited liability company	–	100%	HK$10,000 divided into 10,000 shares of HK$1 each	Provision of construction site workmen services, Hong Kong	(b)
Univic Construction Resources Limited	Hong Kong, 25 June 1992, limited liability company	–	100%	HK$999 divided into 999 shares of HK$1 each	Provision of construction site workmen services, Hong Kong	(b)
Univic Fireproofing & Construction Limited (Formerly Univic Fire Protection Materials Limited)	Hong Kong, 23 April 1980, limited liability company	–	100%	HK$2 divided into 2 shares of HK$1 each	Trading of diesel and provision of construction site workmen services, Hong Kong	(b)
Kwan On – U-Tech 1	Hong Kong, 29 July 2011, unincorporated entity	–	70%	Not applicable	Civil engineering construction, Hong Kong	(a)&(c)

(a) The statutory financial statements for the years ended 31 March 2013 and 2014 were audited by David Siu & Company.

(b) The statutory financial statements for the years ended 31 December 2012 and 2013 were audited by David Siu & Company.

(c) The entity is an unincorporated joint venture formed between Kwan On and an independent third party and is accounted for as a subsidiary by virtue of the Group's control over it.

No audited financial statements have been prepared for the Company since its date of incorporation as it has not carried out any business, other than the Reorganisation as referred to above and there is no statutory requirement for it to prepare audited financial statements. No audited financial statements have been prepared for Win Vision since its date of incorporation as there is no statutory requirement for it to prepare audited financial statements.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements"), in accordance with the basis of presentation set out in Note 1 of Section II below and the accounting policies set out in Note 2 of Section II below which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustment made thereon and in accordance with the basis of presentation set out in Note 1 of Section II below.

The directors of the Company are responsible for the contents of the Prospectus including the preparation and true and fair presentation of the Financial Information in accordance with the basis of presentation set out in Note 1 of Section II below and the accounting policies set out in Note 2 of Section II below, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures and to report our opinion to you.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, we have also reviewed the Comparative Financial Information, which has been prepared in accordance with the basis of presentation set out in Note 1 of Section II below and the accounting policies set out in Note 2 of Section II below, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The directors are responsible for the preparation and presentation of the Comparative Financial Information in accordance with basis of presentation set out in Note 1 of Section II below and the accounting policies set out in Note 2 of Section II below, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Comparative Financial Information. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Opinion in respect of the Financial Information

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis set out in Note 1 of Section II below and in accordance with the accounting policies in Note 2 of Section II below, gives a true and fair view of the state of affairs of the Company as at 31 March 2013 and 2014 and 30 September 2014 and the combined state of affairs of the Group as at 31 March 2013 and 2014 and 30 September 2014 and of the combined results and combined cash flows of the Group for each of the Relevant Periods then ended.

Review conclusion in respect of the Comparative Financial Information

Based on our review, nothing has come to our attention that causes us to believe that the Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

1. Combined Statements of Comprehensive Income

	Notes	Year ended 31 March 2013 *HK$'000*	Year ended 31 March 2014 *HK$'000*	Six months ended 30 September 2013 *HK$'000* (Unaudited)	Six months ended 30 September 2014 *HK$'000*
Revenue	*5*	311,880	393,283	153,485	332,363
Cost of services		(281,953)	(341,666)	(132,218)	(313,087)
Gross profit		29,927	51,617	21,267	19,276
Other income	*5*	1,384	948	245	1,636
Other gains and losses	*5*	514	155	33	164
Administrative expenses		(19,660)	(20,509)	(11,143)	(11,554)
Operating profit	*6*	12,165	32,211	10,402	9,522
Finance costs	*8*	(2,675)	(2,793)	(1,358)	(906)
Profit before income tax expense		9,490	29,418	9,044	8,616
Income tax expense	*10*	(3,762)	(5,790)	(2,766)	(1,181)
Profit and total comprehensive income for the year/period		5,728	23,628	6,278	7,435
Attributable to:					
Owners of the Company		1,483	20,043	4,338	4,186
Non-controlling interests		4,245	3,585	1,940	3,249
		5,728	23,628	6,278	7,435

2. Combined Statements of Financial Position

	Notes	As at 31 March 2013 *HK$'000*	As at 31 March 2014 *HK$'000*	As at 30 September 2014 *HK$'000*
Non-current assets				
Property, plant and equipment	*13*	9,863	9,698	11,116
Life insurance investment	*29*	1,176	–	–
Prepayments	*16*	7,453	5,368	13,453
		18,492	15,066	24,569
Current assets				
Inventories	*14*	22,164	12,078	7,757
Amounts due from customers for contract work	*15*	–	–	2,551
Trade and other receivables	*16*	53,114	84,326	128,744
Tax recoverable		1,922	1,474	1,474
Amounts due from related parties	*17*	78	88	88
Amounts due from other partners of joint operations	*33*	–	43	193
Pledged bank deposits	*18*	31,712	24,691	39,671
Cash and cash equivalents	*18*	2,844	67,041	42,153
		111,834	189,741	222,631
Total assets		130,326	204,807	247,200
Current liabilities				
Bank overdrafts	*18*	25,836	–	–
Amounts due to customers for contract work	*15*	14,254	66,733	24,228
Trade and other payables	*19*	58,244	64,530	134,215
Amounts due to directors	*17*	9,805	1,950	1,500
Amounts due to related parties	*17*	4,962	4,675	–
Amount due to other partner of a joint operation	*33*	–	44	–
Borrowings	*20*	21,766	41,490	58,793
Finance lease payables	*21*	121	118	120
Current tax liabilities		3,044	6,686	2,394
		138,032	186,226	221,250
Net current (liabilities)/assets		(26,198)	3,515	1,381

	Notes	As at 31 March 2013 HK$'000	As at 31 March 2014 HK$'000	As at 30 September 2014 HK$'000
Total assets less current liabilities		(7,706)	18,581	25,950
Non-current liabilities				
Amount due to a director	*17*	3,250	–	–
Finance lease payables	*21*	357	236	176
Deferred tax liabilities	*22*	1,084	514	508
		4,691	750	684
Total liabilities		142,723	186,976	221,934
NET (LIABILITIES)/ASSETS		(12,397)	17,831	25,266
Capital and Reserves				
Share capital	*23*	32,733	32,733	32,733
Reserves	*24*	(48,358)	(19,315)	(15,129)
Equity attributable to owners of the Company		(15,625)	13,418	17,604
Non-controlling interests		3,228	4,413	7,662
(DEFICIENCY IN ASSETS)/ TOTAL EQUITY		(12,397)	17,831	25,266

3. Statements of Financial Position of the Company

	Notes	As at 31 March 2013 HK$'000	As at 31 March 2014 HK$'000	As at 30 September 2014 HK$'000
Current Liabilities				
Amounts due to subsidiaries	17	2,353	2,385	7,164
Total liabilities		2,353	2,385	7,164
Net liabilities		(2,353)	(2,385)	(7,164)
Capital and reserves				
Share capital	23	–	–	–
Accumulated losses	24	(2,353)	(2,385)	(7,164)
DEFICIENCY IN ASSETS		(2,353)	(2,385)	(7,164)

4. Combined Statements of Changes in Equity

	Attributable to owners of the Company					
	Share capital	**Capital reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2012	32,655	–	(54,932)	(22,277)	1,323	(20,954)
Profit and total comprehensive income for the year	–	–	1,483	1,483	4,245	5,728
Issue of new shares on incorporation of a new group company	78	–	–	78	–	78
Repayment of dividends from shareholders of certain companies now comprising the Group *(Note 11)*	–	5,091	–	5,091	–	5,091
Distribution paid to non-controlling interests	–	–	–	–	(2,340)	(2,340)
As at 31 March 2013	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 *(Note 17)*	–	–	9,000	9,000	–	9,000
As at 31 March 2014	32,733	5,091	(24,406)	13,418	4,413	17,831
Profit and total comprehensive income for the period	–	–	4,186	4,186	3,249	7,435
As at 30 September 2014	32,733	5,091	(20,220)	17,604	7,662	25,266
(Unaudited)						
As at 1 April 2013	32,733	5,091	(53,449)	(15,625)	3,228	(12,397)
Profit and total comprehensive income for the period	–	–	4,338	4,338	1,940	6,278
Waiver of amounts due to a director who is also a controlling shareholder *(Note 17)*	–	–	9,000	9,000	-	9,000
As at 30 September 2013	32,733	5,091	(40,111)	(2,287)	5,168	2,881

5. Combined Statements of Cash Flows

	Notes	Year ended 31 March 2013	Year ended 31 March 2014	Six months ended 30 September 2013	Six months ended 30 September 2014
		HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Cash flows from operating activities					
Profit before income tax expense		9,490	29,418	9,044	8,616
Adjustments for:					
Depreciation of property, plant and equipment		3,778	4,108	2,092	2,167
Finance costs		2,675	2,793	1,358	906
Interest income		(96)	(86)	(47)	(17)
Gain on disposal of property, plant and equipment		(514)	(155)	(33)	(164)
Imputed interest on non-current retention receivable		(655)	(250)	(113)	(141)
Charges on an insurance contract		108	107	14	–
Write-down of inventories		–	1,561	–	124
Provision for impairment on retention receivables		–	20	20	–
Provision for impairment on other receivables		989	106	87	–
		15,775	37,622	12,422	11,491
(Increase)/decrease in inventories		(8,863)	8,525	1,807	4,197
Increase in trade and other receivables		(14,034)	(29,003)	(9,965)	(52,362)
(Decrease)/increase in trade and other payables		(26,093)	6,233	(8,846)	69,547
Advances to other partners of joint operations		–	(43)	–	(150)
Advance from/(repayment to) other partner of a joint operation		–	44	–	(44)
Increase in amounts due from customers for contract work		–	–	–	(2,551)
(Decrease)/increase in amounts due to customers for contract work		(2,913)	52,479	(1,305)	(42,505)
Cash (used in)/generated from operations		(36,128)	75,857	(5,887)	(12,377)
Income tax paid		(907)	(2,270)	(426)	(5,479)
Income tax refunded		213	–	–	–
Net cash (used in)/from operating activities		(36,822)	73,587	(6,313)	(17,856)
Cash flows from investing activities					
Purchases of property, plant and equipment		(4,991)	(4,428)	(334)	(3,664)
Proceeds from disposal of property, plant and equipment		688	640	33	243
Proceeds from surrender of life insurance investment		–	1,100	–	–
Payment to acquire an insurance contract		(1,248)	–	–	–
(Increase)/decrease in pledged bank deposits		(10,060)	7,021	9,979	(14,980)
Interest received		60	55	27	17
Advances to a controlling shareholder		(28,400)	–	–	–
Repayment of advances to a controlling shareholder		26,800	–	–	–

	Notes	Year ended 31 March 2013	Year ended 31 March 2014	Six months ended 30 September 2013	Six months ended 30 September 2014
		HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Advances to related companies		–	(10)	–	–
Repayment of advances to a related company		4,625	–	–	–
Net cash (used in)/from investing activities		(12,526)	4,378	9,705	(18,384)
Cash flows from financing activities					
Proceeds from bank borrowings		52,431	62,330	33,035	55,962
Repayment of bank borrowings		(44,551)	(54,606)	(24,116)	(29,659)
Loan from an independent third party		–	12,000	–	–
Repayment of loan from an independent third party		–	–	–	(9,000)
Advances from directors		17,678	2,000	–	–
Repayment of advances from directors		(16,157)	(4,105)	(116)	(450)
Advance from/(repayment to) a controlling shareholder		–	88	156	(3,000)
Advances from related company		2,825	–	–	–
Repayment of advances from a related company		(775)	(375)	(75)	(1,675)
Repayment of finance lease payables		(159)	(124)	(62)	(58)
Interest paid		(2,419)	(2,740)	(1,316)	(768)
Distribution paid to non-controlling interests		(2,340)	(2,400)	–	–
Net cash from financing activities		6,533	12,068	7,506	11,352
Net (decrease)/increase in cash and cash equivalents		(42,815)	90,033	10,898	(24,888)
Cash and cash equivalents at beginning of year/period		19,823	(22,992)	(22,992)	67,041
Cash and cash equivalents at end of year/period		(22,992)	67,041	(12,094)	42,153
Represented by:					
Cash and bank balances and short-term deposits	*18*	34,556	91,732	25,962	81,824
Less: Pledged bank deposits	*18*	(31,712)	(24,691)	(21,733)	(39,671)
Bank overdrafts		(25,836)	–	(16,323)	–
		(22,992)	67,041	(12,094)	42,153

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

(a) General information

The Company was incorporated in the Cayman Islands on 6 December 2012, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is 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, in November 2014. 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 (the "Listing Business").

In the opinion of the directors of the Company, the Listing Business was collectively controlled by Mr. Kwong Wing Kie ("Mr. Kwong") and Wong's family including Mr. Wong Yee Tung, Tony ("Mr. Tony Wong"), Mr Wong Juen Gar, Newton ("Mr. Newton Wong"), Mr. Wong Ming San, Andy ("Mr. Andy Wong") and Ms. Chiu Gar Man ("Ms. Chiu") (together referred to as the "Controlling Shareholders"), who entered into a confirmatory deed on 30 July 2013 confirming that each of them has been acting in concert throughout the Relevant Periods. Ms. Chiu is the spouse of Mr. Tony Wong and Mr. Newton Wong and Mr. Andy Wong are the sons of Mr. Tony Wong.

(b) Reorganisation

Pursuant to the Reorganisation as detailed in the section headed "History and Development" to the Prospectus, in preparation for the listing of shares of the Company on the GEM of the Stock Exchange and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 16 March 2015.

(c) Basis of presentation

The Reorganisation involved the combination of a number of entities engaged in the Listing Business that were collectively controlled by the Controlling Shareholders. The Group is therefore regarded as a continuing entity resulting from the Reorganisation, as there has been a continuation of the risks and benefits to the Controlling Shareholders that existed prior to the combination. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting, as if the group structure under the Reorganisation had been in existence throughout the Relevant Periods or since the respective dates of incorporation/establishment of the entities now comprising the Group, whichever is the shorter period.

The combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 March 2013 and 2014 and the six months ended 30 September 2014 have been prepared using the financial information of the companies engaged in the Listing Business under the common control of the Controlling Shareholders and now comprising the Group as if the current group structure had been in existence throughout each of the years ended 31 March 2013 and 2014 and the six months ended 30 September 2014, or since their respective dates of incorporation or establishment of the combining companies, or since the date when the combining companies first came under the control of the Controlling Shareholders. The combined statements of financial position of the Group as at 31 March 2013 and 2014 and 30 September 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of the Group were combined using the carrying value from the perspective of the Controlling Shareholders. All significant intra-group transactions and balances have been eliminated on combination.

The Financial Information is 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information set out in this report has been prepared in accordance with the below accounting policies, which conform with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "Listing Rules").

The Financial Information has been prepared under the historical cost basis.

Application of new and revised HKFRSs

For the purpose of preparing the Financial Information, the Group has adopted all of new and revised HKFRSs consistently throughout the Relevant Periods except for the following new or revised HKFRSs that have been issued, potentially relevant to the Group's operations, but are not yet effective:

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

1 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or offer 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.

In addition, the new Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the Group's combined financial statements for the year ending 31 March 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about these new and revised HKFRSs is as follows:

Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

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

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

HKFRS 15 – Revenue from Contracts with Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognise revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract with the customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. 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. An entity may adopt HKFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it prospectively from the date of initial application.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 (2014) adds to the existing HKFRS 9. HKFRS 9 (2014) introduces new impairment requirement for all financial assets that are not measured at fair value through profit or loss and amendments to the previously finalised classification and measurement requirements.

A new "expected loss" impairment model in HKFRS 9 (2014) replaces the "incurred loss" model in HKAS 39 Financial Instruments: Recognition and Measurement. For financial assets at amortised cost or fair value through other comprehensive income, an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. For trade receivables, there is a practical expedient to calculate expected credit losses using a provision matrix based on historical loss patterns or customer bases.

HKFRS 9 (2014) also introduces additional application guidance to clarify the requirements for contractual cash flows of a financial asset to give rise to payments that are Solely Payments of Principal and Interest (SPPI), one of the two criteria that need to be met for an asset to be measured at amortised cost, which may result in additional financial assets being measured at amortised cost.

A third measurement category has also been added for debt instruments – fair value through other comprehensive income which applies to debt instruments that meet the SPPI contractual cash flow characteristic test.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

Amendments to HKFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

Amendments to HKAS 1 – Presentation of Financial Statements

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

Significant accounting policies

2.1 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods. The principal annual rates are as follows:

Machinery	15%-25%
Furniture and equipment	20%-25%
Motor vehicles	25%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

2.3 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

2.4 Financial instruments

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

(i) Financial assets

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary assets. Loans and receivables are initially recognised at fair value plus directly attributable transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each of the Relevant Periods, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (as incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include:

- significant financial difficulty of the debtor or the group of debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the debtor or the group of debtors will enter bankruptcy or other financial reorganisation.

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

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined to be uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

Financial liabilities include trade and other payables, amounts due to directors and related parties, and borrowings. They are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amoritsation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.5 Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are charged to the profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

2.6 Employee benefits

(i) Defined contribution retirement plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are recognised as an expense in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) Short-term employee benefits

Short-term employee benefits are recognised when they accrue to employees. In particular, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.7 Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments to the extent that it is probable that they will result in revenue, and they are capable of being reliably measured. Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise site labour costs (including site supervision); costs of subcontracting; costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each of the Relevant Periods.

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

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

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

2.8 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

2.9 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Revenue from construction contracts is recognised based on the percentage of completion. The percentage of completion is determined using methods that measure reliably the work performed. The methods used include reference to surveys of work performed or the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs (Note 2.7).

Interest income is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

2.10 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

2.11 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.12 Impairment of non-financial assets

At the end of each of the Relevant Periods, the Group reviews the carrying amounts of assets (other than inventories and financial assets) to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

2.13 Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

2.14 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

2.15 Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint venture: where the group has rights to only the net assets of the joint arrangement; or
- Joint operation: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangement structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group's joint arrangements are classified as joint operations under HKFRS 11 taking into account the relevant joint arrangement agreements that specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements.

The Group accounts for its interests in the joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

2.16 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Financial Information of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the Relevant Periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements other than estimates

(i) Consolidation of Kwan On – U-Tech 1

During the Relevant Periods, the Group formed a legal joint venture, Kwan On – U-Tech 1, with an independent third party namely U-Tech Engineering Co. Ltd. ("U-Tech"), for the purpose of execution of a contract. The Group can appoint the majority of the board of Kwan On – U-Tech 1 and thus direct its relevant activities. The Group shares 70% of the profits or losses of Kwan On – U-Tech 1. The Directors have therefore determined the Group controls, and should consolidate, Kwan On – U-Tech 1.

(ii) Joint operations

During the Relevant Periods, the Group formed two unincorporated joint ventures, Kwan On – U-Tech 2 and Kwan On – China Geo, with two independent third parties namely U-Tech and China Geo-Engineering Corporation ("China Geo") respectively, for the purpose of execution of contracts.

The Group and U-Tech jointly control over the relevant activities of Kwan On – U-Tech 2. Under the joint venture agreement, the Group and U-Tech each has a participation share of 50% to the surplus, loss, assets, liabilities, rights and obligations arising out of or in connection with the contract in Kwan On – U-Tech 2. Therefore, the Directors have determined that the joint arrangement is a joint operation.

The Group and China Geo jointly control over the relevant activities of Kwan On – China Geo. Under the joint venture agreement, the Group and China Geo have participation share of 51% and 49% respectively to the surplus, loss, assets, liabilities, rights and obligations arising out of or in connection with the contract in Kwan On – China Geo. Therefore, the Directors have determined that the joint arrangement is a joint operation.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Financial Information were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Construction contract revenue recognition

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the Relevant Periods, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Impairment of non-financial assets

The Group assesses at the end of each of the Relevant Periods whether non-financial assets suffered any impairment in accordance with accounting policy stated in Note 2.12. The non-financial assets are reviewed for the impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The determination of recoverable amount requires an estimation of future cash flows and the selection of appropriate discount rates. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

(iii) Impairment of trade and other receivables

The Group estimates impairment losses of trade and other receivables resulting from the inability of the customers and other debtors to make the required payments in accordance with accounting policy stated in Note 2.4(ii). The Group bases the estimates on the ageing of the receivable balances, debtors' creditworthiness and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(iv) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable profit against which the deferred tax assets can be utilised, which involves a number of assumptions and estimates relating to the operating environment of the Group and requires a significant level of judgement exercised by management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the profit in future periods.

4. SEGMENT INFORMATION

Operating segments

During the Relevant Periods, 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

During the Relevant Periods, 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 Relevant Periods is as follows:

	Year ended 31 March		Six months ended 30 September	
	2013	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
The Government of the Hong Kong Special Administrative Region (The "Hong Kong Government"):				
– Water Services Department	158,892	208,084	87,007	119,767
– Civil Engineering and Development Department	123,158	105,110	36,098	184,380
– Drainage Services Department	–*	62,761	25,119	–*
	282,050	375,955	148,224	304,147

* *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 in accordance with accounting policy set out in Note 2.9 above during the Relevant Periods, 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 Relevant Periods are as follows:

	Year ended 31 March		Six months ended 30 September	
	2013	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Other income				
Bank interest income	60	55	27	17
Interest income from life insurance investment	36	31	20	–
Income from sale of scrape materials	281	–	–	98
Imputed interest on non-current retention receivables	655	250	113	141
Refund from insurance claims	248	218	–	91
Ex-gratia payment from the government for retirement of motor vehicles	–	–	–	508
Sundry income	104	394	85	781
	1,384	948	245	1,636
Other gains and losses				
Gain on disposal of property, plant and equipment	514	155	33	164

6. OPERATING PROFIT

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

	Year ended 31 March		Six months ended 30 September	
	2013	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Auditors' remuneration	264	193	98	113
Depreciation of property, plant and equipment	3,778	4,108	2,092	2,167
Operating lease rentals in respect of:				
– Land and buildings	1,659	2,244	1,169	1,335
– Plant and equipment	478	1,112	462	406
Provision for impairment on other receivables	989	106	87	–
Write-down of inventories	–	1,561	–	124
Provision for impairment on retention receivables	–	20	20	–
Employee benefit expenses *(Note 7)*	63,074	67,594	32,021	40,804

7. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	The Group			
	Year ended 31 March		Six months ended 30 September	
	2013	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Wages, salaries and other benefits	60,609	64,927	30,784	39,271
Post-employment benefits – defined contribution retirement plan contributions	2,465	2,667	1,237	1,533
	63,074	67,594	32,021	40,804

8. FINANCE COSTS

	The Group			
	Year ended 31 March		Six months ended 30 September	
	2013	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest on finance leases	20	13	7	1
Interest on bank overdrafts	1,154	1,173	672	6
Interest on bank loans wholly repayable within five years	1,245	1,554	637	840
Imputed interest expense on non-current retention payables	256	53	42	59
	2,675	2,793	1,358	906

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

The Group

(i) Directors' remuneration

Directors' remuneration for each of the Relevant Periods, disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance is as follows:

	Fees	Salaries and benefits	Post-employment benefits – defined contribution retirement plan contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 September 2014				
Executive directors:				
Mr. Tony Wong	–	720	–	720
Mr. Kwong	–	570	9	579
Mr. Chung Chi Ngong	–	420	21	441
	–	1,710	30	1,740
Year ended 31 March 2014				
Executive directors:				
Mr. Tony Wong	–	1,559	–	1,559
Mr. Kwong	–	985	15	1,000
Mr. Chung Chi Ngong	–	898	45	943
	–	3,442	60	3,502
Year ended 31 March 2013				
Executive directors:				
Mr. Tony Wong	–	1,385	34	1,419
Mr. Kwong	–	705	15	720
Mr. Chung Chi Ngong	–	747	41	788
	–	2,837	90	2,927
(Unaudited)				
Six months ended 30 September 2013				
Executive directors:				
Mr. Tony Wong	–	719	–	719
Mr. Kwong	–	430	8	438
Mr. Chung Chi Ngong	–	399	20	419
	–	1,548	28	1,576

In addition to the amounts disclosed above, during the year ended 31 March 2013, the Group also paid premium amounting to HK$1,248,000 in respect of a life insurance contract for Mr. Tony Wong, the beneficiary of which was Ms. Chiu. The premium was settled by way of a five-year bank loan drawn by the Group in May 2012. With effect from 17 December 2012, the beneficiary of such life insurance contract changed to be Univic Fireproofing & Construction Limited ("UFCL"), a subsidiary of the Company, and accordingly the Group recognised life insurance investment on the same date. Please refer to Note 29 for details.

On 19 March 2014, the Group surrendered the life insurance investment with accumulated value of approximately US$153,000 (equivalent to HK$1,191,000) and surrender charge of US$12,000 (equivalent to HK$91,000) was recognised for the year ended 31 March 2014.

During the Relevant Periods, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(ii) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group included 3 directors for each of the years ended 31 March 2013 and 2014 and the six months ended 30 September 2014, whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	Year ended 31 March		**Six months ended 30 September**	
	2013	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Basic salaries, bonuses and other allowances	1,401	1,710	755	822
Post-employment benefits – defined contribution retirement plan contributions	48	30	15	17
	1,449	1,740	770	839

Their remuneration fell within the following bands:

	Year ended 31 March		**Six months ended 30 September**	
	2013	**2014**	**2013**	**2014**
	No. of employees	*No. of employees*	*No. of employees* (Unaudited)	*No. of employees*
Nil to HK$1,000,000	2	2	2	2

During the Relevant Periods, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

10. INCOME TAX EXPENSE

The Group

The amount of income tax expense in the combined statements of comprehensive income represents:

	Year ended 31 March		Six months ended 30 September	
	2013	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Current tax – Hong Kong profits tax				
– tax for the year	3,567	6,360	3,358	1,187
Deferred tax *(Note 22)*	195	(570)	(592)	(6)
Income tax expense	3,762	5,790	2,766	1,181

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to the profit before income tax expense per the combined statements of comprehensive income as follows:

	Year ended 31 March		Six months ended 30 September	
	2013	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before income tax expense	9,490	29,418	9,044	8,616
Tax calculated at the applicable statutory tax rate of 16.5%	1,566	4,854	1,492	1,422
Tax effect of income not subject to tax	(17)	(14)	(8)	(3)
Tax effect of expenses not deductible for tax purpose	388	810	479	258
Tax effect of tax losses not recognised	2,077	273	945	3,834
Utilisation of tax losses previously not recognised	(67)	(783)	(752)	(3,892)
Others	(185)	650	610	(438)
Income tax expense at the effective tax rate	3,762	5,790	2,766	1,181

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 30 September 2014, 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 incurred and such amount could not be ascertained and therefore 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 for the aforesaid years of assessment, the Group may be subject to additional tax liabilities of approximately HK$681,000. As at 30 September 2014, the Group has not received any response from the IRD. The management considered that the additional tax liabilities are subject to the examination of the IRD and may not be incurred and therefore has not made any provision for such additional tax liabilities.

11. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

On 31 March 2011, the directors of Univic Engineering Limited ("UEL") and Univic Engineering & Construction Limited ("UECL") declared and paid dividends of approximately HK$5,091,000 to the shareholders of UEL and UECL (the "Shareholders") for the year ended 31 December 2010. During the year ended 31 March 2013, the Shareholders agreed to repay the dividends by way of set-off against their respective amount receivables from UEL and UECL.

12. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as described in Note 1(c) above.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machinery	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 April 2012	16,640	1,366	11,024	29,030
Additions	334	3,416	1,829	5,579
Disposals	(1,506)	–	(952)	(2,458)
At 31 March 2013	15,468	4,782	11,901	32,151
Additions	353	993	3,082	4,428
Disposals	(1,003)	–	(956)	(1,959)
At 31 March 2014	14,818	5,775	14,027	34,620
Additions	1,905	11	1,748	3,664
Disposals	(280)	–	(1,144)	(1,424)
At 30 September 2014	16,443	5,786	14,631	36,860
Accumulated depreciation				
At 1 April 2012	12,581	1,303	6,910	20,794
Provided for the year	1,761	155	1,862	3,778
Eliminated on disposals	(1,372)	–	(912)	(2,284)
At 31 March 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)
At 31 March 2014	13,704	2,455	8,763	24,922
Provided for the period	376	554	1,237	2,167
Eliminated on disposals	(280)	–	(1,065)	(1,345)
At 30 September 2014	13,800	3,009	8,935	25,744
Net book value				
At 31 March 2013	2,498	3,324	4,041	9,863
At 31 March 2014	1,114	3,320	5,264	9,698
At 30 September 2014	2,643	2,777	5,696	11,116

The net carrying amount of property, plant and equipment includes the following assets held under finance leases (Note 21).

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*
Furniture and fixtures	7	–	–
Motor vehicles	478	331	257
	485	331	257

14. INVENTORIES

	The Group		
	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*
Construction materials	11,312	5,327	3,204
Contract work in progress	10,852	6,751	4,553
	22,164	12,078	7,757

15. AMOUNTS DUE TO CUSTOMERS FOR CONTRACT WORK

	The Group		
	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*
Contracts in progress at the end of reporting periods:			
Contract costs incurred	1,361,927	1,252,851	1,312,985
Recognised profits less recognised losses	99,471	114,865	149,328
	1,461,398	1,367,716	1,462,313
Less: progress billings	(1,475,652)	(1,434,449)	(1,483,990)
	(14,254)	(66,733)	(21,677)
Represented by:			
Amounts due from customers for contract work	–	–	2,551
Amounts due to customers for contract work	(14,254)	(66,733)	(24,228)
	(14,254)	(66,733)	(21,677)

As at 31 March 2013 and 2014 and 30 September 2014, retentions held by customers for contract work included in trade and other receivables (Note 16) amounted to HK$10,338,000 and HK$11,100,000 and HK$13,372,000, respectively.

16. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 March		As at 30 September
	2013	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables *(note (a))*	31,798	49,663	81,814
Retention receivables *(note (b) and Note 15)*	10,338	11,100	13,372
Other receivables *(note (c))*	3,414	9,667	16,009
Prepayments and deposits *(note (c))*	15,017	19,264	31,002
	60,567	89,694	142,197
Less: Prepayments classified under non-current assets *(note (d))*	(7,453)	(5,368)	(13,453)
	53,114	84,326	128,744

(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 certain of the Group's trade receivables were due from the Group's largest customer and the five largest customers as detailed below.

	As at 31 March		As at 30 September
	2013	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Largest customer	22,296	17,577	46,481
Five largest customers	31,249	49,252	81,514

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

	As at 31 March		As at 30 September
	2013	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Less than 1 month	18,378	39,938	58,971
1 to 3 months	13,420	9,715	22,620
More than 3 months but less than one year	–	10	223
	31,798	49,663	81,814

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

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	18,378	39,938	58,971
Less than 1 month past due	12,782	9,641	19,332
1 to 3 months past due	638	74	3,345
More than 3 months past due but less than 12 months past due	–	10	166
	31,798	49,663	81,814

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)

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*
Retention receivables	10,338	11,120	13,392
Less: provision for impairment on retention receivables	–	(20)	(20)
	10,338	11,100	13,372

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 Relevant Periods:

	HK$'000
At 1 April 2012	–
Impairment loss recognised	–
At 31 March 2013	–
Impairment loss recognised	20
At 31 March 2014 and 30 September 2014	20

Included in the above provision for impairment of retention receivables is a provision for individually impaired retention receivables of HK$20,000 as at 31 March 2014 and 30 September 2014 with a carrying amount of HK$20,000 as at 31 March 2014 and 30 September 2014.

Other than the above impaired retention receivables, the remaining balances of retention receivables as at 31 March 2013 and 2014 and 30 September 2014 were neither past due nor impaired. These related to customers for whom there was no recent history of default.

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

	HK$'000
At 1 April 2012	–
Impairment loss recognised	989
At 31 March 2013	989
Impairment loss recognised	106
At 31 March 2014 and 30 September 2014	1,095

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of HK$989,000 and HK$1,095,000 and HK$1,095,000 as at 31 March 2013 and 2014 and 30 September 2014 respectively with a carrying amount of HK$989,000 and HK$1,095,000 and HK$1,095,000 as at 31 March 2013 and 2014 and 30 September 2014 respectively.

Other than the aforementioned impaired other receivables, the above balances of other receivables, prepayments and deposits as at 31 March 2013 and 2014 and 30 September 2014 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default.

(d) Included in prepayments and deposits is an aggregate amount of HK$7,453,000 and HK$5,368,000 and HK$13,453,000 as at 31 March 2013 and 2014 and 30 September 2014 respectively, being prepaid insurance expenses for construction contracts that are expected to be realised after twelve months from the end of each of Relevant Periods. Accordingly, the amount was classified under non-current assets at 31 March 2013 and 2014 and 30 September 2014 respectively.

17. AMOUNTS DUE FROM/(TO) DIRECTORS AND RELATED PARTIES

The Group

Particulars of the amounts due from related parties, disclosed pursuant to the Hong Kong Companies Ordinance, are as follows:

	Balance at 1 April 2012	**Maximum amount outstanding during the year**	**Balance at 31 March 2013**
	HK$'000	*HK$'000*	*HK$'000*
Related companies			
Shiu Mau Development Limited	4,625	4,625	–
Twilight Treasure Limited	–	78	78
	4,625	4,703	78

	Balance at 1 April 2013	Maximum amount outstanding during the year	Balance at 31 March 2014
	HK$'000	*HK$'000*	*HK$'000*
Related companies			
Twilight Treasure Limited	78	83	83
Fortune Decade Investments Limited	–	5	5
	78	88	88

	Balance at 1 April 2014	Maximum amount outstanding during the year	Balance at 30 September 2014
	HK$'000	*HK$'000*	*HK$'000*
Related companies			
Twilight Treasure Limited	83	83	83
Fortune Decade Investments Limited	5	5	5
	88	88	88

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

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*
Current			
Directors			
Mr. Tony Wong	9,450	1,950	1,500
Mr. Kwong	355	–	–
	9,805	1,950	1,500
Related parties			
Controlling shareholder			
Ms. Chiu	2,912	3,000	–
Related company			
Shiu Mau Development Limited	2,050	1,675	–
	4,962	4,675	–
Non-current Director			
Mr. Tony Wong	3,250	–	–

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

Twilight Treasure Limited is beneficially owned by Mr. Kwong and Mr. Tony Wong.

Fortune Decade Investments Limited is wholly and beneficially owned by Mr. Tony Wong.

The amounts due from and to the directors and related parties are unsecured, interest-free and have no fixed terms of repayment, except for an amount of HK$3,250,000 as at 31 March 2013, due to a director of the Company, Mr. Tony Wong, who had undertaken not to demand repayment of the amount due to him within twelve months from 31 March 2013, and accordingly such amount was classified as non-current at 31 March 2013. 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 30 September 2013.

The Group has not made any provision for doubtful debts in respect of the amounts due from related parties, for which there was no recent history of default.

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

The Company

The amounts due to subsidiaries of the Company are unsecured, interest-free and repayable on demand.

18. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS / BANK OVERDRAFTS

The Group

Pledged bank deposits/Cash and cash equivalents

	As at 31 March		As at 30 September
	2013	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Cash and bank balances	2,844	67,041	42,153
Short-term deposits	31,712	24,691	39,671
Less: pledged bank deposits	(31,712)	(24,691)	(39,671)
Cash and cash equivalents	2,844	67,041	42,153

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 (see Note 20 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 3% per annum as at 31 March 2013 and 2014 and 30 September 2014.

Details of securities for the bank overdrafts and other banking facilities are set out in Note 20.

19. TRADE AND OTHER PAYABLES

The Group

	As at 31 March		As at 30 September
	2013	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables *(note (a))*	35,688	28,162	85,614
Retention payables *(note (b))*	14,824	13,807	18,862
Other payables and accruals *(note (c))*	7,732	22,561	29,739
	58,244	64,530	134,215

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

	As at 31 March		As at 30 September
	2013	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Current or less than 1 month	24,510	21,024	66,903
1 to 3 months	9,283	5,810	17,259
More than 3 months but less than one year	1,895	1,328	1,452
	35,688	28,162	85,614

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.

20. BORROWINGS

The Group

	As at 31 March 2013	As at 31 March 2014	As at 30 September 2014
	HK$'000	*HK$'000*	*HK$'000*
Current			
Secured interest-bearing bank loans:			
Repayable on demand or within one year	11,092	23,296	50,908
Repayable after one year from the end of reporting period but contain a repayable on demand clause (shown under current liabilities)	10,674	6,194	4,885
Bank loans	21,766	29,490	55,793
Unsecured interest-bearing other loan:			
Loan from an independent third party repayable within one year	–	12,000	3,000
Total borrowings	21,766	41,490	58,793
Analysed based on scheduled repayment terms set out in the loan agreements, into:			
Within one year or on demand	11,092	35,296	53,908
In the second year	3,897	2,548	2,502
In the third to fifth years, inclusive	5,540	3,646	2,383
Beyond five years	1,237	–	–
	21,766	41,490	58,793

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

	As at 31 March 2013	As at 31 March 2014	As at 30 September 2014
	%	%	%
Effective interest rates:			
Variable-rate bank loans	2.92 to 7.92	3.75 to 6.50	4.00 to 6.75
Variable-rate other loan	–	5.25	5.25

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 beneficially owned by Mr. Tony Wong and Mr. Andy Wong, which will be released upon listing and to be replaced by a cash deposit of approximately HK$10 million;

(b) accrued benefits of a life insurance contract for Mr. Tony Wong (Note 9(i)), 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$31,712,000 and HK$24,691,000 and HK$39,671,000 as at 31 March 2013 and 2014 and 30 September 2014 respectively (Note 18);

(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 2013 and 2014 and 30 September 2014, respectively, under The Special Loan Guarantee Scheme operated by the Hong Kong Government;

(g) guarantees to the extent of approximately HK$8,600,000 and HK$6,800,000 and HK$5,832,000 as at 31 March 2013 and 2014 and 30 September 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 beneficially owned by Mr. Andy Wong, a controlling shareholder of the Company.

The directors have agreed with banks in principle that the above personal guarantees and corporate guarantee will be released and replaced by corporate guarantees to be issued by the Company and guarantees under The Special Loan Guarantee Scheme operated by the Hong Kong Government will be released and repaid in full upon listing of the Company's shares on the Stock Exchange.

The unrestricted and unutilised banking facilities as at 30 September 2014 amounted to approximately HK$40,896,000.

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$9,000,000 during the period ended 30 September 2014 and the remaining balance of HK$3,000,000 on 3 October 2014. 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.

21. LEASES

The Group

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:

	Minimum lease payments	Interest	Present value
	HK$'000	*HK$'000*	*HK$'000*
As at 30 September 2014			
Not later than one year	127	7	120
Later than one year and not later than five years	180	4	176
	307	11	296
As at 31 March 2014			
Not later than one year	127	9	118
Later than one year and not later than five years	243	7	236
	370	16	354
As at 31 March 2013			
Not later than one year	134	13	121
Later than one year and not later than five years	373	16	357
	507	29	478

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:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	3,086	2,035	2,775
Later than one year and not later than five years	2,678	612	2,488
	5,764	2,647	5,263

22. DEFERRED TAX

The Group

Details of the deferred tax liabilities recognised and movements during the Relevant Periods are as follows:

	Accelerated depreciation allowances
	HK$'000
At 1 April 2012	889
Charged to profit or loss for the year *(Note 10)*	195
At 31 March 2013	1,084
Credited to profit or loss for the year *(Note 10)*	(570)
At 31 March 2014	514
Credited to profit or loss for the period *(Note 10)*	(6)
At 30 September 2014	508

Certain subsidiaries of the Group had estimated tax losses arising in Hong Kong amounting to approximately HK$117,206,000, HK$114,119,000 and HK$113,770,000 as at 31 March 2013 and 2014 and 30 September 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 as it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Tax losses can be carried forward indefinitely.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

23. SHARE CAPITAL

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 initial subscriber at nil paid, and was transferred to Twilight Treasure Limited at nil consideration. Further details on the Company's share capital are set out in the sub-paragraph headed "Changes in share capital of our Company" in Appendix IV to the Prospectus.

For the purpose of this report, the share capital of the Group as at 31 March 2013 and 2014 and 30 September 2014 represented the combined share capital of the entities now comprising the Group at the end of each of the Relevant Periods.

24. RESERVES

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the combined statements of changes in equity of this report.

Movements in the Company's accumulated losses during the Relevant Periods are as follows:

	HK$'000
At 6 December 2012 (date of incorporation)	–
Loss for the period	(2,353)
At 31 March 2013	(2,353)
Loss for the year	(32)
At 31 March 2014	(2,385)
Loss for the period	(4,779)
At 30 September 2014	(7,164)

25. MAJOR NON-CASH TRANSACTIONS

The Group

During the year ended 31 March 2013, the Group entered into finance lease arrangements in respect of purchase of property, plant and equipment with a capital value at the inception of the leases of approximately HK$588,000.

During the year ended 31 March 2013, the shareholders of UEL and UECL agreed to repay the dividends previously received by them by way of set-off against their respective amount receivables from UEL and UECL as detailed in Note 11.

On 30 September 2013, pursuant to two deeds of waiver agreements, 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 30 September 2013 as detailed in Note 17.

26. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Financial Information, the Group entered into the following related party transactions, which also constitute connected transactions as defined in Chapter 20 of the Listing Rules, during the Relevant Periods:

(i)

		Year ended 31 March		Six months ended 30 September	
		2013	2014	2013	2014
Name of related parties	Nature of transactions	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Benease Limited *(a)*	Rental expense *(e)*	180	60	60	–
Bennex International Limited *(b)*	Rental expense *(e)*	36	–	–	–
Ms. Chiu	Rental expense *(e)*	840	456	348	128
Shiu Mau Development Limited *(c)*	Rental expense *(e)*	900	900	450	450
U-Tech Engineering Co. Ltd. *(d)*	Subcontracting fee *(e)*	1,074	1,451	806	1,973

Notes:

(a) Mr. Tony Wong and Mr. Kwong are the directors and beneficial owners of the company.

(b) Mr. Kwong is a director and a beneficial owner of the company.

(c) The company is beneficially owned by Mr. Tony Wong and Mr. Andy Wong, of which Mr. Tony Wong is a director.

(d) U-Tech Engineering Co. Ltd. is a minority venturer of a subsidiary, Kwan On – U-Tech 1, of the Group.

(e) The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

(ii) Included in other receivables of the Group are amount due from a minority venturer of a subsidiary, U-Tech Engineering Co. Ltd., amounting to HK$1,776,000 and HK$1,362,000 and HK$1,493,000 as at 31 March 2013 and 2014 and 30 September 2014, respectively (Note 16). The balances are unsecured, interest-free and repayable on demand.

Key management personnel compensation

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the Relevant Periods are set out in Note 9 to the Financial Information.

27. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are trade and other receivables, amounts due from related parties and cash and bank balances that derive directly from its operations. Principal financial liabilities of the Group include trade and other payables, borrowings and amounts due to directors and related parties. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of each of the Relevant Periods. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from amounts due from related parties, deposits with banks and life insurance investment.

The credit risk of Group's trade and retention receivables is concentrated, since 89% and 88% and 94% of which was derived from two major customers as at 31 March 2013 and 2014 and 30 September 2014, respectively. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 16.

The Group's customers are mainly government departments/organisation and reputable corporations and thus credit risk is considered to be low. Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the Relevant Periods and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group's major bank balances and life insurance investment are deposited with banks and underwritten by an insurer with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks and the insurer.

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the Relevant Periods and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the Relevant Periods.

	On demand	**Less than 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 September 2014					
Trade and other payables	60,528	66,903	–	6,784	134,215
Finance lease payables	–	32	95	180	307
Borrowings	58,793	–	–	–	58,793
Amounts due to directors	1,500	–	–	–	1,500
	120,821	66,935	95	6,964	194,815
As at 31 March 2014					
Trade and other payables	54,378	5,810	1,328	3,014	64,530
Finance lease payables	–	32	95	243	370
Borrowings	41,490	–	–	–	41,490
Amounts due to directors	1,950	–	–	–	1,950
Amounts due to related parties	4,675	–	–	–	4,675
Amount due to other partner of a joint operation	44	–	–	–	44
	102,537	5,842	1,423	3,257	113,059
As at 31 March 2013					
Trade and other payables	32,834	24,511	–	899	58,244
Finance lease payables	–	34	100	373	507
Borrowings	21,766	–	–	–	21,766
Bank overdrafts	25,836	–	–	–	25,836
Amounts due to directors	9,805	–	–	3,250	13,055
Amounts due to related parties	4,962	–	–	–	4,962
	95,203	24,545	100	4,522	124,370

Bank and other loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 March 2013 and 2014 and 30 September 2014, the aggregate undiscounted principal amounts of these loans amounted to approximately HK$21,766,000 and HK$41,490,000 and HK$58,793,000, respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

	Less than 1 month	**1 to 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings					
At 30 September 2014	28,708	19,751	6,011	5,083	59,553
At 31 March 2014	17,373	2,552	16,170	6,505	42,600
At 31 March 2013	7,879	687	3,093	11,431	23,090

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, borrowings and bank overdrafts (see Notes 18 and 20 for details of these balances). Interest charged on the Group's borrowings are at variable rates. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to the short-term bank deposits. However, management considers the fair value interest rate risk on these deposits is insignificant as they are relatively short-term. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances, borrowings and bank overdrafts. The analysis is prepared assuming that the amount of assets and liabilities outstanding at the end of each of the Relevant Periods were outstanding for the whole year/period. 25 basis points and 50 basis points increase or decrease represent management's assessment of the reasonably possible change in interest rates of bank balances, borrowings and bank overdrafts, respectively. The calculation of 25 basis points decrease in interest rates of bank balances excluded the bank balances in Hong Kong of HK$31,508,000, HK$87,732,000 and HK$77,824,000 at 31 March 2013 and 2014 and 30 September 2014, respectively, which carried an interest rate below 0.25%.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the Relevant Periods do not reflect the exposures during the Relevant Periods.

If interest rates on bank balances had been 25 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 March 2013 and 2014 and the six months ended 30 September 2014 is as follows:

	As at 31 March		As at 30 September
	2013	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Increase/(decrease) in profit for the year/period			
– as a result of increase in interest rate	6	8	4
– as a result of decrease in interest rate	(6)	(8)	(4)

If interest rates on bank borrowings and bank overdrafts had been 50 basis points higher/ lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 March 2013 and 2014 and the six months ended 30 September 2014 is as follows:

	As at 31 March		As at 30 September
	2013	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
(Decrease)/increase in profit for the year/period			
– as a result of increase in interest rate	(200)	(175)	(123)
– as a result of decrease in interest rate	200	175	123

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as the total of amounts due to customers for contract work, trade and other payables, finance lease payables, borrowings, amount due to other partner of a joint operation, amounts due to directors and related parties and bank overdrafts, and less cash and cash equivalents. Capital includes equity attributable to owners of the Company.

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*
Total debt	138,595	179,776	219,032
Less: Cash and cash equivalents	(2,844)	(67,041)	(42,153)
Net debt	135,751	112,735	176,879
Equity attributable to the owners of the Company	(15,625)	13,418	17,604
Net debt and equity	120,126	126,153	194,483
Gearing ratio	113%	89%	91%

28. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	The Group			The Company		
	As at 31 March		As at 30 September	As at 31 March		As at 30 September
	2013	2014	2014	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loans and receivables						
Trade and other receivables	47,289	72,572	113,906	–	–	–
Life insurance investment	1,176	–	–	–	–	–
Amounts due from related parties	78	88	88	–	–	–
Amounts due from other partners of joint operations	–	43	193	–	–	–
Pledged bank deposits	31,712	24,691	39,671	–	–	–
Cash and cash equivalents	2,844	67,041	42,153	–	–	–
	83,099	164,435	196,011	–	–	–
Financial liabilities at amortised cost						
Trade and other payables	58,244	64,530	134,215	–	–	–
Finance lease payables	478	354	296	–	–	–
Borrowings	21,766	41,490	58,793	–	–	–
Amounts due to directors	13,055	1,950	1,500	–	–	–
Amounts due to related parties	4,962	4,675	–	–	–	–
Amount due to other partner of a joint operation	–	44	–	–	–	–
Bank overdrafts	25,836	–	–	–	–	–
Amounts due to subsidiaries	–	–	–	2,353	2,385	7,164
	124,341	113,043	194,804	2,353	2,385	7,164

29. LIFE INSURANCE INVESTMENT

As disclosed in Note 9(i) above, during the year ended 31 March 2013, the beneficiary of a life insurance policy to insure against the death of a director who is also a controlling shareholder of the Group, Mr. Tony Wong, with an aggregate insured sum of approximately US$200,000 (equivalent to approximately HK$1,560,000) was changed to be UFCL, a subsidiary of the Company. The monthly insurance costs and administration charges determined by the insurance company will be deducted from the account value. The insurer will declare interest (including the guaranteed interest) to the Group on a monthly basis, based on the amount of accumulated value, at a rate to be determined at their own discretion.

As at 31 March 2013, the Group's life insurance investment amounted to HK$1,176,000. The Group surrendered the insurance contract on 19 March 2014 and there was no such investment as at 31 March 2014 and 30 September 2014.

30. COMMITMENTS

Details of the Group's operating lease commitments are set out in Note 21 above. The Group has certain capital commitment at the end of each of the Relevant Periods and is disclosed as follows:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*
Commitments for the acquisition of property, plant and equipment:			
– contracted for but not provided	–	–	500

31. NON-CONTROLLING INTERESTS

Kwan On – U-Tech 1, a 70%-owned subsidiary of the Company, has material non-controlling interests ("NCI").

Summarised financial information in relation to the NCI of Kwan On – U-Tech 1, before eliminations, is presented below:

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	74,595	71,628	39,451	40,413
Profit for the year/period	14,151	11,948	6,465	10,828
Total comprehensive income	14,151	11,948	6,465	10,828
Profit allocated to NCI	4,245	3,585	1,940	3,249
Distribution paid to NCI	2,340	2,400	–	–
Cash flows (used in)/from operating activities	(975)	11,632	321	(433)
Cash flows used in investing activities	(1,436)	–	–	–
Cash flows used in financing activities	(6,402)	(2,400)	–	–
Net cash (outflows)/inflows	(8,813)	9,232	321	(433)

	As at 31 March 2013 HK$'000	As at 31 March 2014 HK$'000	As at 30 September 2014 HK$'000
Current assets	27,696	28,637	37,944
Non-current assets	5,497	3,038	2,097
Current liabilities	(22,201)	(16,798)	(14,364)
Non-current liabilities	(232)	(167)	(139)
Net assets	10,760	14,710	25,538
Accumulated non-controlling interests	3,228	4,413	7,662

32. LITIGATIONS

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

(a) In about April 2013, an employee of a subcontractor of Kwan On sued against Kwan On and one other defendant to the High Court in respect of a claim for personal injury sustained by him in an accident happened on 14 December 2011 arising out of and in the course of his employment. No specific amount of claim was stated in the writ of proceedings. By a consent order of the High Court of Hong Kong dated 16 December 2014, Kwan On and the other respondent were ordered to pay the plaintiff a sum of HK$1,215,000 (inclusive of interest) in full and final settlement of his claim against Kwan On and the other respondent in respect of the above action, of which payments of HK$915,000 were already made to the plaintiff by insurer. Kwan On was informed by a letter dated 15 January 2015 from its solicitor that its insurer was in the course of arranging the final payment of HK$300,000 for its solicitor to discharge the insurer only outstanding balance of such settlement sum.

(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, subject to taxation of costs.

(c) In about November 2013, an employee of a subcontractor of UEL sued against UEL and the other defendant in respect of a claim for employees' compensation under the Employees' Compensation Ordinance 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 cheque in the 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.

(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 32 (c).

(f) In about May 2014, an employee of UCRL sued against UCRL and Kwan On in respect of a claim for employees' compensation under the Employees' Compensation Ordinance 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. Directors confirm that the Group has taken out the necessary employees' compensation policy to cover its liability against the said proceeding.

(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 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. Details of the action are set out in the sub-paragraph (i) of "Legal Proceedings" under the section headed "Business" to the Prospectus. The Company's directors, based on the advice from the Group's legal counsel, believe that the Group has a valid defence against the claim and, accordingly, have not provided for any claim arising from the litigation.

The indemnifiers, represent the Controlling Shareholders, 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 financial statements of the Group for the Relevant Period and are not otherwise indemnified by any other parties under any contractual obligations.

33. JOINT OPERATIONS

Details of investment in joint operations as at 31 March 2014 and 30 September 2014 are as follows:

Name	Place and date of operation	Principal activities	Participating shares
Kwan On – U-Tech 2	Unincorporated joint operation operating in Hong Kong, 16 December 2013	Civil engineering construction	50%
Kwan On – China Geo	Unincorporated joint operation operating in Hong Kong, 12 August 2013	Civil engineering construction	51%

Note:

Pursuant to the terms of the joint venture agreement, the profit or loss sharing for each year of the joint operation shall be distributed to the joint operators in proportion to their respective participating interests.

Amounts due from/(to) other partners of joint operations are unsecured, non interest bearing, have no fixed terms of repayment and are denominated in Hong Kong dollars.

III. DIRECTORS' REMUNERATION

Save as disclosed in Note 9(i) of Section II above, no other remuneration has been paid or is payable in respect of the Relevant Periods to the directors of the Company.

Under the arrangement currently in force, the aggregate amount of remuneration of the directors of the Company, except for any performance bonus, for the year ending 31 March 2015 is estimated to be approximately HK$3,486,000.

IV. SUBSEQUENT EVENTS

Subsequent to 30 September 2014 and up to the date of this report, the following significant events have taken place:

(a) On 16 March 2015, the entities now comprising the Group underwent a group reorganisation to rationalise the Group's structure in preparation of the listing of shares of the Company on the GEM of the Stock Exchange.

(b) On 16 March 2015, written resolutions were passed to effect the transactions as set out in the sub-paragraph headed "Written resolutions of our Shareholders" in Appendix IV to the Prospectus, certain of which are disclosed as follows:

(i) The authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of additional 1,962,000,000 shares.

(ii) 999,999 shares of HK$0.01 each of the Company were issued as consideration for the acquisition of the entire issued share capital of Win Vision.

(iii) The Company's Share Option Scheme was adopted. Details of the Share Option Scheme are set out in section headed "Share Option Scheme" of Appendix IV to the Prospectus.

Save as disclosed above, there are no other significant events which have taken place subsequent to 30 September 2014.

V. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2014.

Yours faithfully

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