The following is the text of a report received from the Company's Reporting Accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

[REDACTED]

The Board of Directors
Kwong Man Kee Group Limited

Alliance Capital Partners Limited

Dear Sirs,

We report on the financial information of Kwong Man Kee Group Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined statements of financial position as at 31 March 2015 and 2016, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2015 and 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the document of the Company dated 30 September 2016 (the "Document") in connection with the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 30 May 2016 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 a group reorganisation as described in Note 2 of Section II headed "Reorganisation" below, which was completed on 16 June 2016, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not been involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report, for which there are statutory audit requirements, have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 2 of Section II.

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The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereto and on the basis set out in Note 3 of Section II below.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the combined financial information gives, for the purpose of this report and presented on the basis set out in Note 3 of Section II below, a true and fair view of the combined financial position of the Group as at 31 March 2015 and 2016 and of the Group's combined financial performance and cash flows for the Relevant Periods.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 March 2015 and 2016 and for each of the years ended 31 March 2015 and 2016 (the "**Financial Information**"):

(A) COMBINED STATEMENTS OF FINANCIAL POSITION

	Section	As at 31 March	
	II	**2015**	**2016**
	Note	*HK$*	*HK$*
ASSETS			
Non-current assets			
Property, plant and equipment	8	594,044	472,522
Deferred income tax assets	15	–	9,456
		594,044	481,978
Current assets			
Inventories	9	4,094,905	5,942,646
Trade and retention receivables	10	8,565,108	17,203,858
Prepayments and other receivables	11	1,059,725	2,135,026
Amounts due from customers for contract work	12	369,261	1,200,660
Amount due from a related party	25	203,653	–
Cash and cash equivalents	13	16,917,081	14,172,321
		31,209,733	40,654,511
Total assets		31,803,777	41,136,489
EQUITY			
Share capital	14	100	77,500
Capital reserve	14	–	(77,392)
Shareholder contribution	14	8,800,000	8,800,000
Retained earnings		4,861,559	15,158,377
Total equity		13,661,659	23,958,485

	Section II *Note*	As at 31 March 2015 *HK$*	As at 31 March 2016 *HK$*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	15	10,449	–
Current liabilities			
Trade payables	16	8,019,215	9,527,025
Accruals and other payables	17	1,328,895	4,068,151
Amounts due to customers for contract work	12	3,809,977	1,141,896
Amount due to the director	25	4,285,454	–
Current income tax liabilities		688,128	2,440,932
		18,131,669	17,178,004
Total liabilities		18,142,118	17,178,004
Total equity and liabilities		31,803,777	41,136,489

(B) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Section II *Note*	Year ended 31 March 2015 *HK$*	Year ended 31 March 2016 *HK$*
Revenue	7	42,807,818	68,575,030
Cost of sales	18	(23,943,971)	(35,917,504)
Gross profit		18,863,847	32,657,526
Other income		43,000	25,500
General and administrative expenses	18	(5,829,785)	(11,771,927)
Profit before income tax		13,077,062	20,911,099
Income tax expense	20	(1,991,283)	(4,114,281)
Profit and total comprehensive income for the year attributable to owner of the Company		11,085,779	16,796,818
Dividend	21	6,500,000	6,500,000
Earnings per share	22	N/A	N/A

(C) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital *(Note 14)* HK$	Capital Reserve *(Note 14)* HK$	Shareholder contribution *(Note 14)* HK$	Retained earnings HK$	Total HK$
Balance 1 April 2014	100	–	8,800,000	275,780	9,075,880
Profit and total comprehensive income for the year	–	–	–	11,085,779	11,085,779
Dividend *(Note 21)*	–	–	–	(6,500,000)	(6,500,000)
At 31 March 2015	100	–	8,800,000	4,861,559	13,661,659
At 1 April 2015	100	–	8,800,000	4,861,559	13,661,659
Profit and total comprehensive income for the year	–	–	–	16,796,818	16,796,818
Additional paid in capital	77,500	–	–	–	77,500
Capital reserve arising on Reorganisation	(100)	(77,392)	–	–	(77,492)
Dividend *(Note 21)*	–	–	–	(6,500,000)	(6,500,000)
At 31 March 2016	77,500	(77,392)	8,800,000	15,158,377	23,958,485

(D) COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March	
	2015	**2016**
	HK$	*HK$*
Cash flows from operating activities		
Profit before income tax	13,077,062	20,911,099
Adjustments for:		
– Depreciation of plant and equipment	491,748	574,639
– Bad debt written off as uncollectible	181,980	–
– Provision for inventory obsolescence	142,557	94,499
Operating profit before working capital changes	13,893,347	21,580,237
Changes in working capital:		
– Increase in inventories	(1,439,261)	(1,942,240)
– Decrease/(increase) in trade and retention receivables	1,742,948	(8,638,750)
– Increase in prepayments and other receivables	(3,190)	(30,656)
– Decrease/(increase) in amounts due from customers for contract work	723,464	(831,399)
– Increase/(decrease) in amounts due to customer for contract work	1,664,094	(2,668,081)
– Increase in trade payables	2,841,995	1,507,810
– Increase in accruals and other payables	250,921	2,739,256
– (Increase)/decrease in amount due from the director	(19,064)	28,027
– Decrease in amount due from a related party	1,389,459	203,653
Net cash generated from operations	21,044,713	11,947,857
Hong Kong profits tax paid	(2,339,556)	(2,381,382)
Net cash generated from operating activities	18,705,157	9,566,475
Cash flows from investing activities		
Purchase of plant and equipment	(511,338)	(453,117)
Net cash used in investing activities	(511,338)	(453,117)

	Year ended 31 March	
	2015	**2016**
	HK$	*HK$*
Cash flows from financing activities		
Dividends paid	–	(6,500,000)
Amount paid to the director	(1,822,570)	(4,313,481)
Issuance of ordinary share capital	–	8
Prepayment for **[REDACTED]**	(930,720)	(1,044,645)
Net cash used in financing activities	(2,753,290)	(11,858,118)
Net increase/(decrease) in cash and cash equivalents	15,440,529	(2,744,760)
Cash and cash equivalents at beginning of the year	1,476,552	16,917,081
Cash and cash equivalents at end of the year	16,917,081	14,172,321

Non-cash transaction

An interim dividend of HK$6,500,000 was declared during the year ended 31 March 2015 which was settled through the current account with the director.

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Kwong Man Kee Group Limited (the "**Company**") was incorporated in the Cayman Islands on 30 May 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is Office J, 11th Floor, No. 3 On Kwan Street, Shek Mun, Sha Tin, New Territories, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") provide engineering services in flooring, screeding, anti-skid surfacing and concrete repairing (the "**Listing Business**"). The controlling shareholder of the Listing Business is Mr. Kwong Chi Man ("**Mr. Kwong**") and the parent company of the Company is Sage City Investments Limited.

The Financial Information is presented in Hong Kong dollars ("**HK$**"), unless otherwise stated.

2 REORGANISATION

Prior to the incorporation of the Company and the completion of the reorganisation (the "**Reorganisation**") as described below, the Listing Business was carried out by Kwong Man Kee Engineering Limited ("**KMK**"), a company incorporated in Hong Kong. Before the Reorganisation, KMK was 100% owned by Mr. Kwong.

The Group underwent the following reorganisation steps in preparation for the **[REDACTED]** of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**[REDACTED]**"):

(i) Victor Ease Limited ("**Victor Ease**") was incorporated on 10 July 2015 in the British Virgin Islands ("**BVI**"). On 14 August 2015, 1 share was allotted and issued to Mr. Kwong at par.

(ii) On 14 August 2015, Victor Ease acquired the entire issued share capital of KMK from Mr. Kwong by issuing and allotting, 9,999 shares in Victor Ease, credited as fully paid, to Mr. Kwong.

(iii) Sage City Investments Limited ("**Sage City**") was incorporated on 10 July 2015 in the BVI. On 14 August 2015, 1 share was allotted and issued to Mr. Kwong at par.

(iv) On 14 August 2015, Sage City aquired the entire issued share capital of Victor Ease from Mr. Kwong by issuing and allotting 9,999 shares of Sage City, credited as fully paid, to Mr. Kwong.

(v) On 14 August 2015, Silver Thrive Investments Limited ("**Silver Thrive**"), Speedtown Limited ("**Speedtown**"), Marine Assets Holding Limited ("**Marine Assets**") and United Solutions International Limited ("**United Solutions**") entered into share transfer agreements with Sage City to acquire 550, 366, 367 and 367 shares of Victor Ease, at considerations of HK$5,142,500, HK$3,422,100, HK$3,431,450 and HK$3,431,450 respectively.

(vi) On 14 August 2015. Sage City transferred 550 shares to Mr. Jason Yip from his exercise of share option pursuant to a share option agreement dated on 18 December 2003.

(vii) The Company was incorporated in the Cayman Islands with liability and authorised **[REDACTED]** of HK$**[REDACTED]** divided into **[REDACTED]** shares. On 30 May 2016, 1 share was allotted and issued as fully paid, to Sage City with par value of HK$0.01.

(viii) On 16 June 2016, Sage City, Silver Thrive, Speedtown, Marine Assets and United Solutions as vendors and the Company as purchaser entered into a share swap agreement, pursuant to which the Company acquired 8,350, 550, 366, 367 and 367 shares of Victor Ease from Sage City, Silver Thrive, Speedtown, Marine Assets and United Solutions respectively, and as consideration for which 8,349, 366, 367, 367 and 550 shares of the Company were allotted and issued as fully paid, to Sage City, Silver Thrive, Speedtown, Marine Assets and United Solutions respectively.

After the completion of the Reorganisation steps as described above, the Company became the holding company of the subsidiaries now comprising the Group.

Upon the completion of the Reorganisation steps and as of the date of this report, the Company had direct and indirect interests in the following subsidiaries, all being limited liability companies:

Name of subsidiary	Place of incorporation	Date of incorporation	Issued and fully paid up share capital	Equity interest held as at 31 March		As at the date of this report	Principal activities and place of operations	*Notes*
				2015	2016			
Directly held								
Victor Ease Limited	The BVI	10 July 2015	USD10,000	N/A	N/A	100%	Investment holding in Hong Kong	(i)
Indirectly held								
Kwong Man Kee Engineering Limited	Hong Kong	24 May 2002	HK$100	N/A	N/A	100%	Business in Hong Kong	(ii)

Notes:

(i) No audited statutory financial statements have been issued for this company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

(ii) The statutory financial statements of this company for the years ended 31 March 2015 and 2016 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

3 BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, the Listing Business has been conducted by KMK. Pursuant to the Reorganisation, the entire equity interest of KMK is transferred to and held by the Company. The Company has not been involved in any other businesses prior to the Reorganisation and does not meet the definition of a business. The transaction is merely a reorganisation of the Listing Business with no change in management of such business and the Controlling Shareholder of the Listing Business remains the same. Accordingly, the Financial Information of the companies now comprising the Group has been prepared and presented using the carrying value of KMK for all periods presented.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") under the historical cost convention.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 6.

The following new standards, amendments to standards and annual improvement relevant to the Group have been issued but are not yet effective for the financial year beginning 1 April 2016 and have not been early adopted:

		Effective for annual periods beginning on
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 April 2016
HKFRS 14	Regulatory Deferral Accounts	1 April 2016
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception	1 April 2016
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations	1 April 2016
HKAS 1 Amendment	Disclosure Initiative	1 April 2016
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation	1 April 2016
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants	1 April 2016
HKAS 27 Amendment	Equity Method in Separate Financial Statements	1 April 2016
HKFRS 15	Revenue from Contracts with Customers	1 April 2018
HKFRS 9	Financial Instruments	1 April 2018
HKFRS 16	Leases	1 April 2019
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined

The Company is in the process of making an assessment of the impact of these new standards, amendments to standards and annual improvement upon initial application but is not yet in a position to state whether these new standards and amendments to standards would have any significant impact on its results of operations and financial position.

4.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including a structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies merger accounting to account for the Reorganisation as described in note 2, where all assets and liabilities are recorded at predecessor carrying amounts, as if the combining entities have been consolidated from the date when they first came under the control of the controlling party, and differences between consideration payable and the net assets value are taken to the merger reserve.

Intra-group transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

4.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Financial Information is presented in HK$, which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

4.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Company who make strategic decisions.

4.5 Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is 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. All other repairs and maintenance costs are charged in the combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation on plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Shorter of remaining period of the lease or 3 years
Furniture and equipment	3 years
Motor vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the combined statements of comprehensive income.

4.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation are at least tested annually for impairment. Assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises costs of purchase and other costs incurred in bringing the inventories to the construction sites to be consumed in the provision of construction services.

4.8 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period or after the normal operating cycle of the Group. These are classified as non-current assets. The Group's loans and receivables comprise "trade and retention receivables", "other receivables" and "cash and cash equivalents" in the combined statements of financial position (notes 4.10 and 4.12). Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs. They are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

4.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred 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 (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of asset is reduced and the amount of the loss is recognised in the combined statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statements of comprehensive income.

4.10 Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the combined statements of comprehensive income within general and administrative expenses. When a trade and other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the combined statements of comprehensive income.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If no, they are presented as non-current assets.

4.11 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to costs incurred to date as a percentage of total contract costs.

All construction contract by the Group are warranted to be free of defects for a period of ten years. Expected cost for warranty repairs are accrued when necessary.

4.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

4.13 Share capital

Ordinary shares are classified as equity.

4.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.15 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the combined statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

4.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of construction services in the ordinary course of the Group's activities. Revenue is shown net of discounts.

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in note 4.11 above.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivable is recognised using the original effective interest rate.

4.18 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group operates a defined contribution plan in Hong Kong and pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Long service payment liabilities

The Group's net obligation in respect of long service accounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine the present value and reduced by entitlements accrued under the defined contribution scheme.

(vi) Bonus plan

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholder. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

4.19 Share-based payment

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from a consultancy service provider as considerations for equity instruments of the Group. The fair value of services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of equity instruments granted:

– including any market performance conditions;
– excluding the impact of any service and non-market performance vesting conditions;
– including the impact of any non-vesting conditions.

As the fair value of the consultancy service received cannot be reliably measured, the Group measures the services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the consultancy service provider renders service.

4.20 Operating lease (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the combined statements of comprehensive income on a straight-line basis over the period of the leases.

4.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, as appropriate.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Interest rate risk

The Group has no significant interest-bearing assets except for cash and cash equivalents, the income and operating cash flows of which are substantially independent of changes in market interest rates.

Interest rate risk mainly arises from bank deposits at variable interest rates which are subject to cash flow interest rate risk. The directors are of the opinion that any reasonable changes in interest rates would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented for interest rate risk.

(b) Credit risk

Credit risk mainly arises from trade receivables, retention receivables, deposits, other receivables, amount due from a related party and cash and cash equivalents. The carrying amounts of these balances except cash on hand in the statements of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

The majority of the Group's bank balances are placed in banks and financial institutions which are independently rated with high credit ratings. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. The Group's historical experience in collection of receivables falls within recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivable has been made.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from external parties.

The Group's primary cash requirements have been for payments for trade payables, other creditors, accrued liabilities and operating expenses. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances to meet its liquidity requirements in the short and long-term.

As at 31 March 2015 and 2016, all of the Group's financial liabilities were due within 12 months and equal their carrying amounts as the impact of discounting is not significant.

5.2 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 shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital of the Group is calculated as total equity less total borrowings, if any. Management considers that the Group's capital risk is minimal as there was no borrowing as at 31 March 2015 and 2016.

5.3 Fair value estimation

The carrying values of trade receivables, retention receivables, deposits, other receivables, amount due from/to a related party, trade payables, and accruals and other payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for trade and retention receivables

Management determines the provision for impairment of trade and retention receivables based on the credit history of customers and the current market condition by business segment. Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

(b) Warranty provision

The Group offers up to ten year warranties for its engineering work performed. Under these warranties, the Group is obliged to provide maintenance service and rectify any defects at its own costs. Based on historical information, it is rare to incur future warranty claims after all work is completed. The Group is therefore of the opinion that no warranty provision is required. Should there be any changes to the actual claim pattern, an amount of provision may be necessary, which will impact the financial performance of the Group.

(c) Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimates may have an impact on the profit recognised in each period.

(e) Share-based payments

The valuation of the fair value of the share options granted requires judgment in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the options and the number of share options that are expected to vest. Where the outcome of the number of options that are vested is different, such difference will impact the combined statements of comprehensive income in the subsequent remaining vesting period of the relevant share options.

7 REVENUE AND SEGMENT INFORMATION

	Year ended 31 March	
	2015	**2016**
	HK$	*HK$*
Flooring	42,062,377	66,366,928
Ancillary services	745,441	2,208,102
	42,807,818	68,575,030

The Executive Directors have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance and allocate resources. The directors regard the Group's business as a single operating segment and review financial information accordingly.

The Group is principally engaged in the provision of engineering services in flooring, screeding, anti-skid surfacing and concrete repairing.

The Group primarily operates in Hong Kong with all of its non-current assets located in and capital expenditure incurred in Hong Kong. During the Relevant Periods, revenue was also earned from customers located in Hong Kong.

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 March	
	2015	**2016**
	HK$	*HK$*
Billion Development & Project Management Limited	N/A	12,089,572
Customer B	N/A	10,609,786
Sze Cheong Engineering Company Limited	N/A	7,003,162
Customer D	8,145,395	N/A
Hien Lee Engineering Company Limited	4,500,170	N/A
Customer F	4,391,299	N/A
Customer G	4,293,497	N/A

8 PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment	Leasehold improvements	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2014				
Cost	928,613	131,037	1,117,263	2,176,913
Accumulated depreciation	(707,130)	(128,066)	(767,263)	(1,602,459)
Net book amount	221,483	2,971	350,000	574,454
Year ended 31 March 2015				
Opening net book amount	221,483	2,971	350,000	574,454
Additions	80,665	–	430,673	511,338
Depreciation	(171,704)	(1,486)	(318,558)	(491,748)
Closing net book amount	130,444	1,485	462,115	594,044
At 31 March 2015				
Cost	1,009,278	131,037	1,547,936	2,688,251
Accumulated depreciation	(878,834)	(129,552)	(1,085,821)	(2,094,207)
Net book amount	130,444	1,485	462,115	594,044
Year ended 31 March 2016				
Opening net book amount	130,444	1,485	462,115	594,044
Additions	453,117	–	–	453,117
Depreciation	(254,596)	(1,485)	(318,558)	(574,639)
Closing net book amount	328,965	–	143,557	472,522
At 31 March 2016				
Cost	1,462,395	131,037	1,547,936	3,141,368
Accumulated depreciation	(1,133,430)	(131,037)	(1,404,379)	(2,668,846)
Net book amount	328,965	–	143,557	472,522

During the year ended 31 March 2015 and 2016, depreciation of HK$117,664 and HK$149,932 was charged to "cost of sales" in the combined statements of comprehensive income.

During the year ended 31 March 2015 and 2016, depreciation of HK$374,084 and HK$424,707 was charged to "general and administrative expenses" in the combined statements of comprehensive income.

9 INVENTORIES

	As at 31 March	
	2015	**2016**
	HK$	*HK$*
Flooring materials	4,094,905	5,942,646

During the year ended 31 March 2015 and 2016, the costs of sales amounted to HK$15,031,628 and HK$19,863,522 respectively.

As at 31 March 2015 and 2016, a batch of inventories was considered as obsolete. A provision of HK$142,557 and HK$237,056 was made as at 31 March 2015 and 2016.

10 TRADE AND RETENTION RECEIVABLES

	As at 31 March	
	2015	**2016**
	HK$	*HK$*
Trade receivables	5,911,306	14,300,844
Retention receivables	2,653,802	2,903,014
	8,565,108	17,203,858

The credit period granted to trade customers other than for retention receivables is within 30 days. The terms and conditions in relation to the release of retentions varies from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

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

	As at 31 March	
	2015	**2016**
	HK$	*HK$*
1 – 30 days	1,716,998	4,146,818
31 – 60 days	1,572,033	2,583,717
61 – 90 days	524,445	4,494,165
Over 90 days	2,097,830	3,076,144
	5,911,306	14,300,844

In the combined statements of financial position, retention receivables were classified as current assets based on operating cycle. The ageing of the retention receivables based on invoice date is as follows:

	As at 31 March	
	2015	**2016**
	HK$	*HK$*
Within 1 year	1,265,457	1,530,108
Between 1 to 5 years	1,388,345	1,372,906
	2,653,802	2,903,014

As of 31 March 2015 and 2016, trade receivables of HK$4,194,308 and HK$10,154,026 were past due but not impaired. These relate to certain independent customers for whom there is no recent history of default. The Group does not hold any collateral as security. The ageing of these trade receivables is as follows:

	As at 31 March	
	2015	**2016**
	HK$	*HK$*
1 – 30 days	1,572,033	2,583,717
31 – 60 days	524,445	4,494,165
61 – 90 days	987,279	147,450
Over 90 days	1,110,551	2,928,694
	4,194,308	10,154,026

During the years ended 31 March 2015 and 2016, trade receivables of HK$181,980 and HK$nil were written off as uncollectible. As of 31 March 2015 and 2016, the remaining trade receivables were not impaired.

As of 31 March 2015 and 2016, retention receivables of HK$666,125 and HK$490,767 were past due but not impaired. These relate to certain independent customers for whom there is no recent history of default. The Group does not hold any collateral as security. The ageing of these retention receivables is as follows:

	As at 31 March	
	2015	**2016**
	HK$	*HK$*
Within 1 year	294,468	350,343
Between 1 to 2 years	358,612	71,660
Over 2 years	13,045	68,764
	666,125	490,767

The carrying amounts of trade and other receivables approximate their fair values due to their short maturities.

The carrying amounts of the Group's trade and retention receivables are denominated in HK$.

11 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March	
	2015	**2016**
	HK$	*HK$*
Prepayments	88,405	110,548
Other receivables	40,600	12,900
Prepaid **[REDACTED]**	930,720	2,011,578
	1,059,725	2,135,026

The carrying amounts of the Group's other receivables are denominated in HK$.

As at 31 March 2015 and 2016, the carrying amounts of other receivables approximate their fair values.

12 CONTRACTING WORK IN PROGRESS

	As at 31 March	
	2015	**2016**
	HK$	*HK$*
Contract costs incurred plus attributable profits less foreseeable losses to date	5,517,223	9,830,990
Progress billings to date	(8,957,939)	(9,772,226)
	(3,440,716)	58,764

Included in current assets/(liabilities) as the following:

	As at 31 March	
	2015	**2016**
	HK$	*HK$*
Due from customers for contract work	369,261	1,200,660
Due to customers for contract work	(3,809,977)	(1,141,896)
	(3,440,716)	58,764

13 CASH AND CASH EQUIVALENTS

	As at 31 March	
	2015	**2016**
	HK$	*HK$*
Cash at bank and on hand	16,917,081	14,172,321
Maximum exposure to credit risk	16,914,081	14,169,321

Cash and cash equivalents are denominated in HK$.

14 SHARE CAPITAL AND RESERVES

(a) Share capital

Share capital as at 31 March 2015 and 2016 represents the share capital of KMK and Victor Ease, the then holding companies of the Group.

(b) Capital reserve

Capital reserve as presented in the combined statements of financial position during the Relevant Periods represented the difference between the aggregation of the nominal value of the share capital of KMK acquired over the nominal value of the share capital of Victor Ease issued in exchange thereof pursuant to the reorganisation completed in 2016.

(c) Shareholder contribution

The Group operated an equity-setted share-based compensation plan, under which the Group receives services from Mr. Jason Yip, a consultancy service provider and a then senior management of the Group. Under the share-based compensation plan, Mr. Jason Yip provided technical and marketing consultancy services to the Group in return for share options to acquire a 30% equity interest of Sage City at nominal consideration. The options are granted on 18 December 2003 and became exercisable on 31 March 2012, before being exercised on 14 August 2015. The amount in shareholder contribution represents the fair value of services received, valuation of which was performed by an independent qualified valuer using income approach by reference to the fair value of the equity instruments granted. The share-based compensation expenses for such service were recognised in combined statements of comprehensive income from the date when the options were granted on 18 December 2003 until the date when the non-market vesting conditions were met and the options became exercisable on 31 March 2012.

15 DEFERRED INCOME TAX (LIABILITIES)/ASSETS

	As at 31 March	
	2015	**2016**
	HK$	*HK$*
Deferred income tax assets to be recovered after 12 months	–	9,456
Deferred income tax liabilities to be settled after 12 months	(10,449)	–
	(10,449)	9,456

Movements in deferred income tax liabilities are as follows:

	Year ended 31 March	
	2015	**2016**
	HK$	*HK$*
Beginning of the year	(13,087)	(10,449)
Credited to the combined statements of comprehensive income *(Note 20)*	2,638	19,905
End of the year	(10,449)	9,456

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	(Accelerated)/ decelerated tax depreciation
	HK$
At 1 April 2014	(13,087)
Credited to the combined statements of comprehensive income *(Note 20)*	2,638
At 31 March 2015	(10,449)
Credited to the combined statements of comprehensive income *(Note 20)*	19,905
At 31 March 2016	9,456

16 TRADE PAYABLES

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

	As at 31 March	
	2015	**2016**
	HK$	*HK$*
1 – 30 days	2,248,474	3,481,020
31 – 60 days	1,613,014	1,886,017
61 – 90 days	164,400	79,165
Over 90 days	3,993,327	4,080,823
	8,019,215	9,527,025

Trade payables are denominated in HK$.

The carrying amounts of trade payables approximate their fair values due to their short maturities.

17 ACCRUALS AND OTHER PAYABLES

	As at 31 March	
	2015	**2016**
	HK$	*HK$*
Accrued expenses	589,396	875,092
Customer deposits	448,223	1,863,601
Other payables	291,276	376,348
Accrued **[REDACTED]**	–	953,110
	1,328,895	4,068,151

Accruals and other payables are denominated in HK$.

The carrying amounts of accruals and other payables, net of accrued salary, approximate their fair values.

18 EXPENSES BY NATURE

Expenses included in cost of sales and general and administrative expenses are analysed as follows:

	Year ended 31 March	
	2015	**2016**
	HK$	*HK$*
Cost of flooring materials used	15,031,628	19,842,622
Subcontractor cost	6,422,083	13,012,935
Employee benefit expenses *(Note 19)*		
– Direct labour	2,128,682	2,516,400
– Administrative staff	2,774,052	4,588,217
Depreciation of plant and equipment	491,748	574,638
Operating lease rentals in respect of rented premises	312,400	444,794
Repair and maintenance expenses	245,616	237,580
Motor vehicle expenses	424,345	346,535
Auditor's remuneration	330,000	300,000
Provision for inventory obsolescence	142,557	94,499
Bad debt written off as uncollectible	181,980	–
Listing expenses	–	4,114,110
Other expenses	1,288,665	1,617,101
	29,773,756	47,689,431
Representing:		
Cost of sales	23,943,971	35,917,504
General and administrative expenses	5,829,785	11,771,927
	29,773,756	47,689,431

19 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 March	
	2015	**2016**
	HK$	*HK$*
Wages, salaries, bonuses and allowances	4,761,366	6,876,877
Pension cost – defined contribution scheme	141,368	227,740
	4,902,734	7,104,617

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 March 2015 and 2016 include one and one director respectively whose emoluments are reflected in Note 23. The emoluments payable to the remaining four and four individuals during the years ended 31 March 2015 and 2016 are as follows:

	Year ended 31 March	
	2015	**2016**
	HK$	*HK$*
Wages, salaries, bonuses and allowances	2,496,096	2,999,690
Pension cost – defined contribution scheme	69,812	82,158
	2,565,908	3,081,848

The emoluments fell within the following bands:

	Number of individuals	
	2015	**2016**
Emolument band		
HK$0 – HK$1,000,000	4	4

During the year ended 31 March 2016, the emolument of one of the five highest paid individuals included a consultancy fee which were excluded from the employee benefit expenses.

20 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the Relevant Periods.

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

	Year ended 31 March	
	2015	**2016**
	HK$	*HK$*
Current income tax:		
– Hong Kong profits tax	2,141,114	4,134,186
– Over-provision in prior year	(147,193)	–
Total current tax	1,993,921	4,134,186
Deferred income tax relating to the origination and reversal of temporary differences *(Note 15)*	(2,638)	(19,905)
Income tax expense	1,991,283	4,114,281

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	Year ended 31 March	
	2015	**2016**
	HK$	*HK$*
Profit before income tax	13,077,062	20,911,099
Calculated at a taxation rate of 16.5%	2,157,715	3,450,331
Expenses not deductible for taxation purposes	761	683,950
Over-provision in prior year	(147,193)	–
Tax deduction	(20,000)	(20,000)
Income tax expense	1,991,283	4,114,281

21 DIVIDEND

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

Dividends disclosed during each of the years ended 31 March 2015 and 2016 represented dividends declared and paid or payable by companies now comprising the Group to their then respective shareholders. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

22 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the Reorganisation and the presentation of the results for the each of the years ended 31 March 2015 and 2016 on a combined basis as disclosed in Note 3 above.

23 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G)

(a) Directors' emoluments (equivalent to key management compensation)

The remuneration of the directors is set out below:

For the year ended 31 March 2016:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Mr. Kwong Chi Man (Chief Executive Officer)	–	720,000	60,000	–	–	18,000	–	–	798,000
Mr. Yip Wai Man	–	340,016	173,000	–	–	15,530	–	–	528,546
Total	–	1,060,016	233,000	–	–	33,530	–	–	1,326,546

For the year ended 31 March 2015:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Mr. Kwong Chi Man (Chief Executive Officer)	–	720,000	200,000	–	–	17,400	–	–	937,400
Mr. Yip Wai Man	–	292,142	143,000	–	–	13,285	–	–	448,427
	–	949,142	343,000	–	–	30,685	–	–	1,385,827

During the Relevant Periods, none of the directors of the Company waived their emoluments nor agreed to waive their emoluments for the Relevant Periods.

Subsequent to 31 March 2016, Mr. Kwong Chi Man and Mr. Yip Wai Man were appointed executive director of the Company on 1 June 2016 and 13 June 2016 respectively. Ms. Yu Wan Wah Amparo, Mr. Law Pui Cheung and Mr. Wat Danny Hiu Yan, independent non-executive directors of the Company, were appointed on 24 September 2016.

(b) Directors' retirement benefits and termination benefits

Save as disclosed in Note 23(a), the directors did not receive any other retirement benefits or termination benefits during the Relevant Periods.

(c) Consideration provided to third parties for making available directors' services

During the Relevant Periods, the Group did not pay consideration to any third parties for making available the directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of the directors, bodies corporate controlled by and connected entities with such directors.

As at 31 March 2015 and 2016, except for the amount due from/(to) the director, there are no loans, quasi-loans and other dealing arrangements in favour of the directors, bodies corporate controlled by and controlled entities with such directors.

(e) Director's material interests in transactions, arrangements or contracts

Save as disclosed in Note 25(a), no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Relevant Periods.

24 COMMITMENTS

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

	Year ended 31 March	
	2015	**2016**
	HK$	*HK$*
Within 1 year	33,600	37,100
Later than 1 year and no later than 5 years	5,600	–
	39,200	37,100

25 RELATED PARTY TRANSACTIONS

The directors of the Company are of the view that the following companies or individuals were related parties that had transactions or balances with the Group.

Related parties	Relationship with the Group
Mr. Kwong	Controlling Shareholder and director of the Group
Ms. Li Chuen Chun ("**Mrs. Kwong**")	Spouse of Mr. Kwong
Ms. Kwong Wing Yan ("**Ms. Kwong**")	Daughter of Mr. Kwong
Ms. Li Mei Ying ("**Ms. Li**")	Sister-in-law of Mr. Kwong
Kwong Man Kee Engineering *(note)*	A related company wholly owned by Mr. Kwong

Note: The Business Registration of Kwong Man Kee Engineering was cancelled on 29 March 2016.

(a) During the Relevant Periods, KMK, a wholly owned subsidiary of the Company, had the following significant transactions with its related parties:

	Year ended 31 March	
	2015	**2016**
	HK$	*HK$*
Office rental expense paid to Mr. Kwong	216,000	240,000
Car park rental expense paid to Mrs. Kwong and Ms. Kwong	26,400	33,600
Car park rental expense paid to Ms. Li	–	31,000

These transactions were entered into at terms agreed with the director or the related party in the ordinary course of the Group's business.

(b) Particulars of amounts due from/(to) the related parties are as follows:

	Balance as at 31 March 2015	Balance as at 31 March 2016
	HK$	*HK$*
Mr. Kwong	(4,285,454)	–
Kwong Man Kee Engineering	203,653	–

(c) Amounts due to the director and from a related party are unsecured, interest-free, repayable on demand and are denominated in HK$.

(d) Save as disclosed in Note 23(a), no other key management personnel compensation was paid or payable by the Group during the Relevant Period.

26 CONTINGENT LIABILITIES

As at 31 March 2015 and 2016, the Company and the Group did not have any material contingent liabilities.

27 SUBSEQUENT EVENTS

Save as disclosed in the report, the following significant events took place subsequent to 31 March 2016:

(a) On 20 May 2016, Victor Ease declared a dividends of HK$3,500,000 in respect of the results for the year ended 31 March 2016 to its shareholders.

(b) The Reorganisation was completed on 16 June 2016 and the details are set out in note 2.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2016 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2016.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong