



Wan Kei Group Holdings Limited
宏基集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1718

ANNUAL REPORT 2016



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CORPORATION INFORMATION

DIRECTORS

Executive Directors

Mr. Lau Woon Si (*Chairman*)
Mr. Fong Hon Hung (*Chief Executive Officer*)
Mr. Lau Chi Hing
Mr. Leung Man Lun Stephen
Mr. Lau Chi Shing

Independent Non-executive Directors

Mr. Law Yiu Sing
Mr. Ho Ho Ming
Mr. Ong Chi King

COMPANY SECRETARY

Mr. Ling Yat Hin

AUTHORISED REPRESENTATIVES

Mr. Lau Chi Hing
Mr. Ling Yat Hin

AUDIT COMMITTEE

Mr. Law Yiu Sing (*Chairman*)
Mr. Ong Chi King
Mr. Ho Ho Ming

REMUNERATION COMMITTEE

Mr. Ong Chi King (*Chairman*)
Mr. Lau Chi Hing
Mr. Law Yiu Sing

NOMINATION COMMITTEE

Mr. Lau Woon Si (*Chairman*)
Mr. Ong Chi King
Mr. Law Yiu Sing

LEGAL COMPLIANCE COMMITTEE

Mr. Lau Woon Si (*Chairman*)
Mr. Ling Yat Hin
Mr. Law Yiu Sing

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 66-68 Tong Mi Road
Mongkok, Kowloon, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Loong & Yeung
Solicitor, Hong Kong
Room 1603, 16/F
China Building
29 Queen's Road Central
Central
Hong Kong

COMPLIANCE ADVISER

Kingsway Capital Limited
7/F, Tower One, Lippo Centre
89 Queensway
Hong Kong

INDEPENDENT AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Hang Seng Bank Limited

STOCK CODE

01718

COMPANY WEBSITE

www.wankei.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the **"Board"**) of directors (the **"Directors"**) of Wan Kei Group Holdings Limited (the **"Company"**) and its subsidiaries (collectively the **"Group"**), I am delighted to present the first annual report of the Group since the listing (the **"Listing"**) of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**) on 11 August 2015 (the **"Date of Listing"**).

A NOTE OF APPRECIATION

The Company was successfully listed on the Main Board of the Stock Exchange on 11 August 2015. On behalf of the Group, I would like to express our deepest gratitude to all parties who have assisted us in building our business over the years and during the preparation process of the Listing.

REVIEW

During the year ended 31 March 2016 (the **"Year"**), the Group recorded a decrease in turnover of approximately HK\$38.6 million or 9.45% to approximately HK\$369.6 million compared with the year ended 31 March 2015. The declined of revenue was result from adverse impact to the industry due to the deterioration of the overall economic environment and certain unforeseeable factors such as the decrease in public works as a result from the delay to the funding approval process of public works of Public Works Sub-committee of the Finance Committee of the Legislative Council.

PROSPECT

We remains positive towards the future of the construction market in Hong Kong and we will continue to focus our core business of foundation and ground investigation field works. In order to maximize the long term returns to our shareholders, the Group will continue to expand our foundation works in Hong Kong by (i) acquisition of additional machineries and equipment to strength the ability of project implementation; and (ii) strengthening our market position by continuing to provide quality works to our customers.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to our shareholders, customers, subcontractors, suppliers and business partners for their continue support, and to our management and staff members for their commitment and contribution to the growth of the Group.

Wan Kei Group Holdings Limited

Lau Woon Si

Chairman

Hong Kong, 29 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Year amounted to approximately HK\$369,570,000 (2015: approximately HK\$408,128,000).
- Profit attributable to the equity shareholders of the Company for the Year amounted to approximately HK\$25,573,000 (2015: approximately HK\$62,000,000).
- Basis and diluted earnings per share for the Year amounted to approximately HK cents 3.35 (2015: approximately HK cents 8.86).

BUSINESS REVIEW

The Group is principally engaged in providing: (i) foundation works; and (ii) ground investigation field works, in Hong Kong.

Foundation Works

During the Year, the Group is principally engaged in the provision of foundation works in Hong Kong. The foundation works undertaken by the Group mainly consisted of the construction of socketed H-piles, mini piles, soldier piles, pipe piles and king posts. The Group undertakes foundation works projects in both the public and private sectors. Income from foundation works contributed approximately 88.4% of the total revenue during the Year (2015: approximately 89.0%).

Ground Investigation Field Works

The Group also act as a main contractor for the provision of ground investigation field works in Hong Kong and it undertakes ground investigation field works in both public and private sectors. Income from ground investigation field works contributed approximately 11.6% of the total revenue during the Year (2015: approximately 11.0%).

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Year was approximately HK\$369,570,000 (2015: approximately HK\$408,128,000), representing an decrease of approximately 9.45% over 2015. The decrease was mainly due to the (i) decrease in public works as a result from the delay to the funding approval process of public works of Public Works Sub-committee of the Finance Committee of the Legislative Council; (ii) the absence of large projects tendered during the year; and (iii) the adverse impact to the industry due to the deterioration of the overall economic environment.

Gross Profit Margin

The Group's gross profit margin during the Year was approximately 21.1% (2015: approximately 28.0%). The decline in gross profit margin is mainly due to the decrease in gross profit of newly tendered projects as a result from the keen competition in the industry, coupled with the increase in wages and subcontracting charges.

General and administrative expenses

The Group's administrative expenses for the Year were approximately HK\$46,262,000 (2015: approximately HK\$39,283,000) representing an increase of approximately 17.8% over 2015. This was mainly attributable to (i) the listing expenses incurred; (ii) increase in professional fee; and (iii) increase in staff costs during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Profit

For the Year, the Group recorded a net profit of approximately HK\$25,564,000, representing a decreased of approximately 59.0% as compared to the net profit of approximately HK\$62,306,000 for the year ended 31 March 2015. The decrease was mainly attributable to (i) the decrease in revenue; (ii) the decrease in gross profit of new tendered projects as a result from the keen competition over the industry; and (iii) the listing expenses incurred during the Year.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend to shareholders of the Company for the Year (2015: nil).

PROSPECTS

The Directors expect the growth of the overall foundation industry in Hong Kong to slow down in 2016, which is mainly attributable to the following factors: 1) the filibuster which lengthened the funding approval process as well as increasing the uncertainties in obtaining approvals for public works by the Legislative Council of Hong Kong; and 2) the construction works of the existing civil and railway projects in Hong Kong are entering into the stage of completion in the near future. In addition, the growth for the foundation work for the private sector is still moderate and stable.

Although the planned public works from the relevant government councils are still upheld and pending by the Legislative Council, the recent approvals of funding allocation for some of the infrastructure projects indicated some signs of improvement. As stated in the 2016 Policy Address, the government has been increasing land supply through a multi-pronged approach and addressing the supply-demand imbalance by formulating short, medium and long-term measures. It is therefore anticipated that more foundation projects will be launched by the government and the private sectors in forthcoming years. Overall, the Group remains positive towards the future of the construction market and the business of the Group.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing borrowings of the Group consist of finance leases, which decreased from approximately HK\$12,398,000 as at 31 March 2015 to nil as at 31 March 2016. All borrowings were denominated in Hong Kong Dollar. Interests on borrowings are charged at floating rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest rate risks continuously and considers hedging any excessive risk when necessary. As at 31 March 2016, the amount of banking facilities of HK\$6,000,000 (2015: HK\$6,000,000) remained unutilised. The aforesaid banking facilities as at 31 March 2016 were unsecured while the banking facilities as at 31 March 2015 were secured by the Company's controlling shareholders. As at 31 March 2015, the finance leases of the Group were secured by the Group's fixed assets with an aggregate net book value of approximately HK\$23,757,000.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group had cash and bank balances of approximately HK\$150,292,000 (2015: approximately HK\$74,956,000), all of which were denominated in Hong Kong Dollar. The net increase was mainly due to the proceeds received from the Listing of approximately HK\$85,000,000 on 11 August 2015, after deducting the effect of dividend payment of HK\$60,000,000 to the then shareholders of the Group in April 2015.

The gearing ratio of the Group as at 31 March 2016 (defined as the Group's total interest-bearing liabilities divided by the Group's total equity) was nil (2015: approximately 8.4%). During the Year, the Group did not employ any financial instrument for hedging purposes.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy position of liquidity throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

Since the Group mainly operates in Hong Kong and most of the revenue and transactions arising from its operations were settled in Hong Kong Dollar, and the Group's assets and liabilities are primarily denominated in Hong Kong Dollar, the Directors believe that the Group's risk in foreign exchange fluctuation is insignificant and the Group will have sufficient foreign exchange to meet its foreign exchange requirements. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and has not adopted any currency hedging policy or other hedging instruments during the Year.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 11 August 2015. There has been no change in the capital structure of the Group since the Date of Listing. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2016, the Company's issued share capital was HK\$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK\$0.01 each.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Year, there were no significant investments hold, material acquisitions or disposals of subsidiaries and associated companies by the Group save as disclosed in the prospectus of the Company dated 28 July 2015 (the "**Prospectus**").

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and warehouses. The Group's operating lease commitments amounted to approximately HK\$1,778,000 as at 31 March 2016 (2015: approximately HK\$3,263,000). As at 31 March 2016, the Group's capital commitment amounted to approximately HK\$81,000 (2015: approximately HK\$247,000).

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 March 2016 and 2015.

EVENT AFTER THE YEAR

There are no significant events affecting the Group after the Year.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group had 157 full-time employees (2015: 161 full-time employees).

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from mandatory provident fund and in-house training programmes, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance. The total remuneration cost incurred by the Group for the Year was approximately HK\$70,866,000 compared to approximately HK\$67,612,000 for the year ended 31 March 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposures are summarised as follows:

- (i) The Group had a concentrated clientele base. Any loss for major customers or decrease in number of projects with the top 5 customers of the Group may adversely affect the Group's operations and financial results;
- (ii) The Group's past revenue and profit margin may not be indicative of the Group's future revenue and profit margin, in particular, the Group's revenue were on project basis, which are non-recurrent in nature, and the Group may achieve lower-than expected revenue if it fails to maintain continuity of the Group's order book for its new projects;
- (iii) The Group is dependent on its Board members and senior management staff, the departure of its staff may adversely affect the Group's business operations;
- (iv) Failure to accurately estimate and control the costs of the Group's projects may adversely affect the Group's financial performance;
- (v) Any delays or default of progress payments or retention monies by the customers may affect the Group's cash flow and may have adverse impact on the Group's financial results; and
- (vi) Failure to renew the Group's current registrations and licenses may adversely affect the Group's business operations.

For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the Prospectus.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

The Group's success also depends on the support from key stakeholders which comprise employees, customers and suppliers.

Customers

For foundation works, the principal customers are generally the main contractors of construction projects in Hong Kong. For ground investigation field works, the principal customers are generally employers of construction projects in Hong Kong. During the Year, the Directors consider that the Group is not reliant on any single customer. The Group also maintains long-term relationship with its customers, some of which have established more than 10 years of working relationship with the Group.

Suppliers and Subcontractors

During the Year, the suppliers of goods and services which were specific to the business of the Group and were acquired on a regular basis to enable the Group to continue to carry its business included (i) subcontractors engaged by the Group to perform the site works; (ii) materials and equipment suppliers to supply materials and equipments used in the site works; and (iii) suppliers of miscellaneous goods and services required for the Group's business operations.

The Group maintains multiple suppliers and subcontractors to avoid the over-reliance on a few suppliers and subcontractors and did not experience any material difficulties in sourcing materials from suppliers and assigning subcontractors during the Year. The Group did not have any significant disputes with any of its suppliers and subcontractors during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees

The Group recognised employees as valuable assets of the Group and during the Year, the Group has complied with the applicable labour laws and regulations and regularly reviewed the existing staff benefits for improvement. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing an attractive remuneration package. The Group determines the salary of its employees mainly based on each employee's qualification, relevant experience, position and seniority. The Group conducts annual review on salary increment, bonuses and promotions based on the performance of each employee.

The Group consider that the Group has maintained good relationship with its employees. The Group has not experienced any strikes, work stoppages or labour disputes which affected its operations during the Year. The Directors also consider that the relationship and co-operation between the management team and the employees have been good during the Year.

ENVIRONMENTAL POLICIES

The Group places an emphasis on environmental protection when undertaking its projects. The Group was awarded the ISO 14001:2004 (environmental management system). The current ISO 14001:2004 certificate is valid from 23 June 2007 to 29 April 2018. When preparing the tender document, the Group will take into consideration the environmental protection requirements of potential customers as well as the relevant laws and regulations in relation to environmental protection. The Group's safety officers are responsible for ensuring that the Group satisfies the applicable laws and regulations requirements and identifying and reporting on environmental issues to our project management team.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operation are mainly carried out by the Company's subsidiaries in Hong Kong while the Company itself is listed on the Stock Exchange. Our operations accordingly shall comply with relevant laws and regulations in Hong Kong. During the Year and up to date of this annual report, there is no material non-compliance with the relevant prevailing laws and regulations in Hong Kong by the Group.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Date of Listing to 31 March 2016 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 31 March 2016 as stated in the Prospectus	Actual business progress up to 31 March 2016
To consolidate and expand the foundation works capacity on Hong Kong.	To acquire additional machinery and equipment and recruit additional staff to fulfill the expansion of foundation works capacity.	During the Year, two new crawler crane and one dilling machine were acquired to enhance the Group's foundation works capacity. Besides, the Group had employed several skill labour and engaged a safety consultant to enhance the Group's competitive in the foundation industry.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM LISTING

The Company's shares have been listed on the Main Board of the Stock Exchange since 11 August 2015. The receipts of proceeds, net of listing expenses (including underwriting fee), including both recognised in the consolidated statement of profit of loss and other comprehensive income and deducted from the share premium (the "Net Proceeds") from the Listing were approximately HK\$70,700,000. In accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus, the Net Proceeds received were applied by the Group from the Date of Listing up to 31 March 2016 as follows:

Use of Net Proceeds	Planned use of proceeds as stated in the Prospectus <i>HK\$ million</i>	Actual use of proceeds from the Date of Listing up to 31 March 2016 <i>HK\$ million</i>	Unused amount <i>HK\$ million</i>
Acquisition of additional machinery	48.4	10.6	37.8
Recruitment of additional staff	7.6	1.9	5.7
Repayment of finance leases	8.1	8.1	–
General working capital	6.6	6.6	–
Total	70.7	27.2	43.5

The unutilised amounts of the Net Proceeds will be applied in the manner consistent with that mentioned in the Prospectus. The Directors are not aware of any material change to the planned use of Net Proceeds as at the date of this annual report.

The unused Net Proceeds have been placed as bank balances with licensed bank in Hong Kong as at the date of this annual report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lau Woon Si (劉煥詩), aged 79, is our executive Director, the chairman of the Board (the “**Chairman**”) and the chairman of our nomination committee. He is the father of Mr. Lau Chi Hing and Mr. Lau Chi Shing. Mr. Lau is primarily responsible for the overall management and overseeing marketing and engineering work of the Group. He has over 40 years of experience in the construction industry. Mr. Lau was the founder of Wan Kei Geotechnical Engineering Company Limited (“**Wan Kei Engineering**”), which focusing on foundation works in Hong Kong. Mr. Lau has been the director of Wan Kei Engineering since May 1998.

Mr. Lau Chi Hing (劉志興), aged 45, is our executive Director, the vice chairman of the Board and a member of our remuneration committee. He is the son of Mr. Lau Woon Si and brother of Mr. Lau Chi Shing. Mr. Lau had engaged in the foundation industry for more than 17 years and he is primarily responsible for the formulation of corporate development strategies, overseeing the daily site operations and business development of our Group. He joined Wan Kei Engineering in October 1998 as a site agent and was appointed as director of Wan Kei Engineering in July 1999. Prior to joining Wan Kei Engineering, Mr. Lau worked as a graduate engineer at Joseph Chow & Partners from April 1997 to August 1998. Mr. Lau obtained bachelor of engineering degree from University of Melbourne in Australia in March 1997. He had also completed the training course of Occupation Safety Management, which was organised by Occupational Safety & Health Council in March 2013. He is also a director of Wan Kei Engineering, Wan Kei Machinery Company Limited (“**Wan Kei Machinery**”) and Chung Shun Boring Engineering Company Limited (“**Chung Shun**”).

Mr. Fong Hon Hung (方漢鴻), aged 58, is our executive Director and the chief executive officer of our Group (the “**Chief Executive Officer**”). Mr. Fong had engaged in the foundation industry for more than 37 years and he is primarily responsible for formulation of corporate strategic plans, execution of daily management and administration of business and operations of our Group. He is also the authorised signatory of Wan Kei Engineering under the register of specialist contractors (sub-register of foundation works category) maintained by the Buildings Department.

Mr. Fong had been awarded the technician certificate in engineering surveying in November 1980, the certificate in civil engineering in November 1983, higher certificate in civil engineering in November 1987 and the endorsement certificate in civil engineering project management in November 1998, all awarded by the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic). He also obtained the certificate in electronics with distinction from Vocational Training Council and the BTEC National Certificate in engineering from Business & Technology Education Council in July 1993.

Mr. Fong has been the director of Wan Kei Engineering in July 1995. Prior to joining Wan Kei Engineering, Mr. Fong worked as the chairman and junior land surveyor in construction project at Mass Transit Railway Corporation Hong Kong from August 1978 to July 1984. He worked as an assistant site agent at Chung Wah Machine Well Engineering Company Limited from 1984 to 1986. He worked as an assistant engineer of Shimizu Construction Co., Ltd. from November 1986 to November 1987. He worked as the project manager at Chung Wah Machine Well Engineering Company Limited from November 1987 to April 1995 and his last position was general manager. He is the director of Wan Kei Engineering and Wan Kei Machinery.

Mr. Leung Man Lun Stephen (梁文麟), aged 67, was appointed as our executive Director on 28 November 2014. Mr. Leung had engaged in the foundation industry for more than 35 years and he is primarily responsible for the overall contract management, internal control, marketing and engineering work of our Group. Mr. Leung obtained the bachelor of science in business administration degree from Northeastern University in the United States of America in June 1977.

In February 1997, he joined Chung Shun as a general manager and he has been director of Chung Shun in April 2001. Prior to joining Chung Shun, he was worked as an assistant manager at Lam Geotechnics Limited from 1980 to 1982. In January 1983, he was promoted as a manager and latterly as a director in March 1985. He worked as a general manager at Chung Wah Machine Well Engineering Company Limited from January 1995 to January 1997.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Since June 2001, Mr. Leung has been admitted as the authorised signatory and technical director to act for Chung Shun as a Registered Specialist Contractor (Ground Investigation Field Works Category) (RSC(GIFW)) under Building Departments. Since May 2002, he has acted as the authorised signatory and technical director to act for Chung Shun on the List of Ground Investigation Contractors under Hong Kong Housing Authority. Since December 2007, he has also acted as the Authorised Signatory and technical director to act for Chung Shun on the List of Approved Contractors for Public Works (Approved List) and List of Approved Suppliers of Materials and Specialist Contractors for Public Works (Specialist List) of the Ground Investigation Field Work category under Works Branch of Development Bureau. He is a director of Chung Shun and Wan Kei Machinery.

Mr. Lau Chi Shing (劉志成), aged 53, was appointed as our executive Director on 28 November 2014. He is the son of Mr. Lau Woon Si and brother of Mr. Lau Chi Hing. Mr. Lau had engaged in the construction industry for more than 19 years and he is primarily responsible for overseeing human resources of projects and machinery management of our Group.

Mr. Lau obtained the degree of bachelor of science in civil engineering from National Chung-Hsing University in Taiwan in January 1992. In June 1995, he was admitted to the degree of master of engineering studies from the University of Sydney in Australia. He has been a Chartered Professional Engineer member of The Institute of Engineers Australia in the Civil College since August 2010 and a Registered Professional Engineer of Queensland in Australia since November 2010. He has also been a member of The Hong Kong Institution of Engineers since September 2014.

Mr. Lau worked in Wan Kei Engineering as a project manager from December 2001 to May 2003 and rejoined Wan Kei Engineering as an assistant project manager in February 2013. Prior to joining Wan Kei Engineering, he worked as a site foreman at Chung Wah Machine Well Engineering Company Limited from December 1984 to April 1986. He worked as an assistant engineer at Gammon Construction Limited from January 1995 to July 1999. He worked as a method engineer and production engineer at Dragages et Travaux Public (HK) Ltd. from August 1999 to November 2001. He worked as a temporary bridge engineer at Greater Taree City Council in Australia from August 2004 to June 2007. He worked as a senior structural engineer at Sinclair Knight Merz Pty Ltd in Australia from June 2007 to February 2009. He worked as a geotechnical engineer at Basement Solutions Australia in Australia from September 2009 to January 2010. He worked as a structural engineer at Transfield Services (Australia) Pty Limited in Australia from April 2010 to August 2012. He is a director of Wan Kei Engineering since May 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ong Chi King (王子敬), aged 43, was appointed as our independent non-executive Director on 17 June 2015. Mr. Ong is the chairman of our remuneration committee and a member of our audit committee and nomination committee.

Mr. Ong received a bachelor degree in business administration from The Hong Kong University of Science and Technology and a master degree in corporate finance from The Hong Kong Polytechnic University. He is a member of the Hong Kong institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Ong has more than 20 years of experience in accounting, finance and company secretarial fields and held senior positions in finance and company secretarial departments in various companies listed on the Stock Exchange.

Mr. Ong is currently an independent non-executive director of Capital VC Limited (stock code: 2324), China Environmental Resources Group Limited (stock code: 1130) and Hong Kong Education (Int'l) Investments Limited (stock code: 1082), which are listed on the Main Board of the Stock Exchange and King Force Security Holdings Limited (stock code: 8315), Larry Jewelry International Company Limited (stock code: 8351), WLS Holdings Limited (stock code: 8021) and Deson Construction International Holdings Limited (stock code: 8268), which are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange. Mr. Ong was an independent non-executive director of KSL Holdings Limited (stock code: 8170), a company listed on the GEM of the Stock Exchange, from 19 November 2014 to 2 June 2016. Mr. Ong was a director of Fitness Concept International Holdings Limited prior to its dissolution. The said company was incorporated in the Cayman Islands and was dissolved on 30 June 2005 by striking off due to cessation of business.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho Ho Ming (何昊銘) (former name: Ho Wing Hang (何榮亨)), aged 44, was appointed as our independent non-executive Director on 28 November 2014. Mr. Ho is a member of our audit committee.

Mr. Ho received a bachelor degree of business administration in information and systems management from The Hong Kong University of Science and Technology and a master degree of business administration from the University of Cambridge, the United Kingdom. Mr. Ho has over 16 years of experience in the field of investment banking and credit rating. He was previously employed by Credit Suisse First Boston (Hong Kong) Limited, Merrill Lynch (Asia Pacific) Limited, Bear Sterns Asia Limited, Fitch (Hong Kong) Limited and Universal Credit Rating Group.

Mr. Ho is currently an adjunct professor of the Department of Real Estate and Construction at The University of Hong Kong. In addition, Mr. Ho is an honorary associate of the Asia-Pacific Institute of business of The Chinese University of Hong Kong and an external advisory member of the Department Advisory Committee on Applied Mathematics at The Hong Kong Polytechnic University. Mr. Ho has also acted as an independent non-executive director of LEAP Holdings Limited (stock code: 1499) which are listed on the Main Board of the Stock Exchange and KSL Holdings Limited (stock code: 8170) and Kwan On Holdings Limited (stock code: 8305), which are listed on the GEM of the Stock Exchange.

Mr. Law Yiu Sing (羅耀昇), aged 49, was appointed as our independent non-executive Director on 28 November 2014. Mr. Law is the chairman of our audit committee and a member of our remuneration committee and nomination committee.

Mr. Law obtained a bachelor of Engineering degree in computer engineering from Concordia University in Canada, a Master of Business Administration from the University of Hong Kong and a Master of Practising Accounting from the Monash University in Australia. Mr. Law also received a Graduate Diploma in English and Hong Kong Law (Common Professional Examination) from the Manchester Metropolitan University in the United Kingdom.

Mr. Law has been a Certified Practising Accountant of the CPA Australia, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and a Certified Tax Advisor of the Taxation Institute of Hong Kong.

Mr. Law is currently an independent non-executive director of Fraser Holdings Limited (stock code: 8366), the shares which are listed on the GEM of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Yeung Wai Keung (楊偉強), aged 47, joined our Group in June 1997. Mr. Yeung serves as the business manager of our Group. Mr. Yeung had more than 19 years of experience in foundation works industry and he is currently responsible for the business development of the Group.

Mr. Yeung received a Diploma in Accountancy from Vocational Training Council, a National Vocational Qualification in Accounting (Practice & Commerce) Level IV by The Association of Accounting Technicians and accredited as an Accounting Technician by The Hong Kong Association of Accounting Technicians. He was also been awarded a Technically Competent Person T1 Certificate from Hong Kong Institute of Vocational Education.

Mr. Ling Yat Hin (凌逸軒), aged 33, joined our Group in October 2014. Mr. Ling serves as the financial controller and the company secretary of our Group. Mr. Ling had more than 10 years of experience in accounting field and he is currently responsible for overseeing accounting activities of the Group.

Mr. Ling obtained a bachelor of business administration in Accountancy from the City University of Hong Kong. He has been a Certified Public Accountant of HKICPA since January 2010.

Prior to joining the Group, Mr. Ling worked for HLB Hodgson Impey Cheng Limited from March 2006 to September 2014 and his last position held was manager in audit department.

CORPORATE GOVERNANCE REPORT

The Board of Directors of Wan Kei Group Holdings Limited and its subsidiaries is committed to achieving and maintaining the highest standard of corporate governance. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate the business strategies and policies, and manage the associated risk through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders (the “**Shareholders**”) of the Company.

The Company has complied with all the applicable code provisions in the Corporate Governance Code (the “**Code**”) set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company had fully complied with the Code from the Date of Listing to 31 March 2016.

The Group commits to continuously improving its corporate governance practices by periodic review to ensure that the Group continues to meet the requirements of the Code.

The key corporate governance practices of the Group are summarised as follows:

BOARD OF DIRECTORS

Composition

The Board currently comprises five executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Lau Woon Si (*Chairman*)
Mr. Fong Hong Hung (*Chief Executive Officer*)
Mr. Lau Chi Hing
Mr. Leung Man Lun Stephen
Mr. Lau Chi Shing

Independent Non-executive Directors

Mr. Law Yiu Sing
Mr. Ong Chi King
Mr. Ho Ho Ming

The Company has complied with rules 3.10(1) and 3.10A of the Listing Rules, from the Date of Listing to 31 March 2016, there were three independent non-executive Directors in the Board and the number of independent non-executive Directors represents more than one-third of the Board. As such, there exists a strong independent element in the Board, which can effectively exercise independent judgement. The Company has also complied with rule 3.10(2) of the Listing Rules which stipulates that one of the independent non-executive Directors must possess appropriate professional qualification or accounting or related financial management expertise. In compliance with the Code, the independent non-executive Directors are expressly identifies as such in all corporate communications that disclose the name of the Directors.

All the independent non-executive Directors namely, Mr. Law Yiu Sing, Mr. Ong Chi King and Mr. Ho Ho Ming have respectively entered into a service contract with the Company for a term of two years commencing on 11 August 2015 unless terminated by not less than three months’ notice in writing served by either party on the other. The independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles.

At each following annual general meeting, one-third of the Directors are required to retire from office. Each Director shall retire from office once every three years. The Directors to retire in every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election. New Directors appointed by the Board during the year shall retire and submit themselves for re-election at the annual general meeting immediately following their appointment.

CORPORATE GOVERNANCE REPORT

Mr. Lau Chi Hing, Mr. Ong Chi King and Mr. Ho Ho Ming will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, offer themselves for re-election pursuant to Article 108 of the Articles. No Director proposed for re-election at the annual general meeting has a service contract with the Company which is not determinable by the Company within one year other than statutory compensation.

The Company has received from each of its independent non-executive Directors an annual confirmation of its independence pursuant to rule 3.13 of the Listing Rules. The Group considers all independent non-executive Directors to be independent under the Listing Rules.

Save that Mr. Lau Woon Si is the father of Mr. Lau Chi Hing and Mr. Lau Chi Shing, there are no financial, business, family or other material/relevant relationship among the members of the Board. The biographical details of each of the Directors are out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

BOARD AND GENERAL MEETING

The Board meets regularly and, in addition to regular meetings, it meets as and when warranted by particular circumstances. From the Date of Listing to the date of this annual report, the Directors' attendance of the Board meetings is set out as follows:

	Attendance/ Number of meetings from the Date of Listing to the date of this annual report
Executive Directors	
Mr. Lau Woon Si (<i>Chairman</i>)	2/2
Mr. Fong Hon Hung (<i>Chief Executive Officer</i>)	2/2
Mr. Lau Chi Hing	2/2
Mr. Leung Man Lun Stephen	2/2
Mr. Lau Chi Shing	2/2
Independent Non-executive Directors	
Mr. Law Yiu Sing	2/2
Mr. Ong Chi King	2/2
Mr. Ho Ho Ming	2/2

BOARD RESPONSIBILITIES AND DELEGATION

The Board is responsible to the Shareholders for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, approving the annual development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system and supervising and managing the management's performance.

Regarding the Group's corporate governance, from the Date of Listing to 31 March 2016, the Board has performed the following duties in accordance with the terms of reference:

- determined and reviewed the policies and practices on corporate governance of the Group and make recommendations;
- reviewed and monitored the training and continuous professional development of the Directors and senior management;
- reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements;

CORPORATE GOVERNANCE REPORT

- developed, reviewed and monitored the code of conduct applicable to Directors and employees; and
- reviewed the Company's compliance with the Code and disclosure in this corporate governance report.

The Board delegates the day-to-day management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board periodically to ensure they remain appropriate to the needs of the Group. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group by the management. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the “**Board Committee**”).

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A2.1 of the Code, the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. In compliance with the Code, the Group has appointed a separate Chairman and Chief Executive Officer of the Company since 28 November 2014. In order to ensure that there is clear division of responsibilities between Chairman of the Board and the Chief Executive Officer of the Company, the two positions are assumed by different individuals, Mr. Lau Woon Si, the Chairman of the Board, is responsible for the operation of the Board and the formulation of the Group's strategies and policies. Mr. Fong Hon Hung, the Chief Executive Officer of the Company, with the assistance of other members of the Board and senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation. The Chairman of the Board ensures that all Directors are properly briefed on issues arising at the Board meetings and receive adequate, complete and reliable information in a timely manner.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the “**Board Diversity Policy**”) from the Date of Listing up to the date of this corporate governance report. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

The Company recognised the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services, all of which the Company considers to be important to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

The nomination committee of the Board will monitor the implementation of the Board Diversity Policy and recommend any proposed changes to the Board for approval. The nomination committee of the Board will from time to time review the Board Diversity Policy as appropriate to ensure its effectiveness.

The nomination committee of the Board has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy from the Date of Listing up to 31 March 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as the code of conduct of the Company regarding directors' transactions of the listed securities of the Company.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that they had complied with the Model Code and its code of conduct from the Date of Listing to 31 March 2016.

CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

All Directors confirmed that they had complied with code provision A.6.5 of the Code during the period from the Date of Listing to 31 March 2016, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged an in-house training on the Listing Rules in the form of a seminar during the Reporting Year conducted by the Legal Advisor as to Hong Kong Laws and relevant training material has been distributed to all the Directors. All Directors had attended the in-house training. The training covered topics including the Code, listed company regulations and disclosure obligations in Hong Kong, disclosable transactions and connected transactions etc.

BOARD COMMITTEES

The Board has established the (i) audit committee (the "**Audit Committee**"), (ii) remuneration committee (the "**Remuneration Committee**"), and (iii) nomination committee (the "**Nomination Committee**") with defined terms of reference. The terms of reference of each of the Board Committees, which explain their respective roles and authority delegated to them by the Board, are available on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance under appropriate circumstances, at the Company's expenses. In addition to the abovementioned committees, a legal compliance committee (the "**Legal Compliance Committee**") has been established by the Board on 9 May 2015. All committees have been provided with sufficient resources and support from the Group to discharge their duties.

AUDIT COMMITTEE

The Company has established the Audit Committee on 9 May 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Law Yiu Sing, Mr. Ong Chi King and Mr. Ho Ho Ming, with Mr. Law Yiu Sing being the chairman of the Audit Committee.

The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the financial reporting system, internal control procedures and risk management systems, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. From the Date of Listing to 31 March 2016, the Audit Committee has reviewed with the management of the Group's unaudited interim results and audited results for the year ended 31 March 2016.

From the Date of Listing to the date of this annual report, two meetings were held by the Audit Committee. The attendance record of each member of the Audit Committee is set out below:

Name of committee members	Attendance/Number of meetings between the Date of Listing and the date of this annual report
Mr. Law Yiu Sing (<i>Chairman</i>)	2/2
Mr. Ong Chi King	2/2
Mr. Ho Ho Ming	2/2

There had been no disagreement between the Board and the Audit Committee from the Date of Listing to 31 March 2016.

During the Year, members of the Audit Committee had performed the following duties under the terms of reference:

- made recommendations to the Board on the appointment and re-appointment of the Company's external auditors and approved the audit and terms of engagement of the Company's external auditors;
- reviewed the Company's external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

CORPORATE GOVERNANCE REPORT

- reviewed the integrity of the Company's financial statements and annual report and accounts, interim report and reviewed significant financial reporting judgements;
- discussed with the Company's external auditors questions and doubts arising in audit of annual accounts;
- reviewed the Group's internal control system and the statement about the Company's internal control system which included in this report prior to submission for the Board's approval;
- reviewed the Company's financial reporting, financial controls, internal control and risk management systems;
- discussed the risk management and internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system. The discussion included the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- reviewed the financial and accounting policies and practices of the Group; and
- reviewed material queries raised by the auditors to management about accounting records, financial accounts and management's response.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee on 9 May 2015. As at the date of this annual report, the Remuneration Committee comprises an executive Director, namely Mr. Lau Chi Hing, and two independent non-executive Directors, namely Mr. Law Yiu Sing and Mr. Ong Chi King. Mr. Ong Chi King is the chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the Code and are available on the websites of the Company and the Stock Exchange.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group's policy and structure for the remuneration of all Directors and senior management, reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives of the Board from time to time. The Board as a whole has determined the remuneration policy and packages of the Directors. No individual Director was allowed to involve in deciding his own remuneration.

DIRECTORS' REMUNERATION

Directors' emoluments are determined with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the Remuneration Committee of the Company annually. Details of the Directors' remuneration are set out in note 9 to the consolidated financial statements.

REMUNERATION OF THE SENIOR MANAGEMENT

During the Year, the remuneration of senior management is listed as below by band:

Band of remuneration (HK\$)	No. of person
HK\$1,000,000 to HK\$1,500,000	1
HK\$1,500,001 to HK\$2,000,000	4
HK\$2,000,001 to HK\$2,500,000	1

Further details of the remuneration of the Directors and the 5 highest paid employees required to be disclosed under Appendix 16 of the Listing Rules have been set out in notes 9 and 10 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

As the Company was newly listed on 11 August 2015, the Remuneration Committee has held one meeting as at the date of this annual report and all the members have attended to review the Group's remuneration policy and approved the terms of executive Directors' service contracts. The committee members' attendance of the Remuneration Committee is set out as follow:

	Attendance/ Number of meetings from the Date of Listing to 31 March 2016	Attendance/ Number of meetings from 1 April 2016 to the date of this annual report
Mr. Ong Chi King (<i>Chairman</i>)	–/–	1/1
Mr. Law Yiu Sing	–/–	1/1
Mr. Lau Chi Hing	–/–	1/1

During the Year, members of the Remuneration Committee had performed the following duties under the terms of reference:

- assessed the performance of executive Directors and consulted the Chairman of the Board and the Chief Executive Officer about their remuneration proposals for other executive Directors;
- made recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration;
- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- made recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- made recommendations to the Board on the remuneration of non-executive Directors;
- considered salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries; and
- ensured that no Director or any of his/her associates is involved in deciding his/her own remuneration.

NOMINATION COMMITTEE

The Company established a Nomination Committee on 9 May 2015. As at the date of this annual report, the Nomination Committee comprises an executive Director, namely Mr. Lau Woon Si, and two independent non-executive Directors, namely Mr. Law Yiu Sing and Mr. Ong Chi King. Mr. Lau Woon Si is the chairman of the Nomination Committee.

The written terms of reference of the Nomination Committee adopted by the Board are in line with the Code and are available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

As the Company was newly listed on 11 August 2015, the Nomination Committee has held one meeting as at the date of this annual report and all the members have attended to review the Group's nomination policy. The committee members' attendance of the Nomination Committee is set out as follow:

	Attendance/ Number of meetings from the Date of Listing to 31 March 2016	Attendance/ Number of meetings from 1 April 2016 to the date of this annual report
Mr. Lau Woon Si (<i>Chairman</i>)	–/–	1/1
Mr. Law Yiu Sing	–/–	1/1
Mr. Ong Chi King	–/–	1/1

During the Year, members of the Nomination Committee had performed the following duties under the terms of reference:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and made recommendations on proposed changes (if any) to the Board to complement the Company's corporate strategy;
- reviewed the Company's Board Diversity Policy and the progress on achieving the objectives set for implementing the said policy;
- determined the policy for the nomination of Directors;
- assessed the independence of independent non-executive Directors; and
- made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

LEGAL COMPLIANCE COMMITTEE

The Legal Compliance Committee comprises three members, namely Mr. Lau Woon Si, Mr. Ling Yat Hin and Mr. Law Yiu Sing. Mr. Lau Woon Si is the chairman of the Legal Compliance Committee.

With reference to the terms of reference of the Legal Compliance Committee, the primary duties of the Legal Compliance Committee are to assist in overseeing our compliance with laws and regulations relevant to our business operations and to review the effectiveness of our regulatory compliance procedures and system.

The committee members' attendance of the Legal Compliance Committee is set out as follow:

	Attendance/ Number of meetings from the Date of Listing to 31 March 2016	Attendance/ Number of meetings from 1 April 2016 to the date of this annual report
Mr. Lau Woon Si (<i>Chairman</i>)	–/–	1/1
Mr. Ling Yat Hin	–/–	1/1
Mr. Law Yiu Sing	–/–	1/1

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for each financial year have been prepared on this basis.

EXTERNAL AUDITORS' REMUNERATION

The Company engaged HLB Hodgson Impey Cheng Limited as its external auditors for the year ended 31 March 2016. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. Details of the fees paid/payable to HLB Hodgson Impey Cheng Limited during the year are as follows:

	HK\$
Audit services	750,000

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. They have carried out an annual review of the implement system and procedures, including areas covering financial, operational and legal compliance controls and risks management functions. The internal control system is implemented to minimise the risk to which the Group is exposed and used as a management tool for the day-to-day operation of business.

During the Year under review, the Board examined the effectiveness of the risk management and internal control system of the Company through the Audit Committee, and considered that the risk management and internal control system is adequate and effective and the Company has complied with the code provisions on risk management and internal control of the Code.

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") is Mr. Ling Yat Hin whose biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

Mr. Ling has been informed of the requirement of the Rule 3.29 of the Listing Rules, and he confirmed that he had attained no less than 15 hours of relevant professional training during the Year.

GENERAL MEETINGS WITH SHAREHOLDERS

The annual general meeting ("AGM") is a forum in which the Board and the shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc. At the AGM, the Directors (including the independent non-executive Directors) are available to attend to questions raised by the shareholders. The external auditors of the Company is also invited to be present at the AGM to address to queries of the shareholders concerning the audit procedures and the auditors' report.

The first AGM of the Company will be held on 6 September 2016, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for Convening General Meetings by Shareholders

Pursuant to Article 64 of the Articles of Association of the Company, the Board may whenever it thinks fit call extraordinary general meetings.

Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary by mail at Rooms 6 & 8, 9/F, Block A, Fuk Keung Industrial Building, No. 66-68 Tong Mi Road, Mongkok, Kowloon, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposals at Shareholders' Meeting

Shareholders are requested to follow Article 64 of the Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for convening general meetings by shareholders".

Pursuant to Article 113 of the Articles of Association, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures by which Enquired may be Put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by post to the principal place of business set out in the section headed "Corporation Information" by fax at +852 8202 8213 or by email at info@wankei.com.hk. The Company Secretary is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the Chief Executive Officer of the Company.

CORPORATE GOVERNANCE REPORT

Investor Relations

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meeting, public announcement and financial reports. The investors are also able to access the latest news and information of the Group via our website (www.wankei.com.hk).

In order to maintain good and effective communication, the Company together with the Board extend their invitation to all shareholders and encourage them to attend the forthcoming AGM and all future general meetings.

The shareholders may also forward their enquiries and suggestions in writing to the Company to the followings:

Address: Rooms 6 & 8, 9/F, Block A, Fuk Keung Industrial Building,
No. 66-68 Tong Mi Road, Mongkok, Kowloon, Hong Kong
Email: info@wankei.com.hk

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

Save for the adoption of the amended and restated Memorandum and Articles of Association for the purpose of the Listing, during the Year, there had been no significant changes in the constitutional documents of the Company.

REPORT OF THE DIRECTORS

The Board presents this annual report together with the audited consolidated financial statements of the Group for the financial year ended 31 March 2016.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 7 October 2014. Its registered office and principal place of business are at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Rooms 6 & 8, 9/F, Block A, Fuk Keung Industrial Building, No. 66-68 Tong Mi Road, Mongkok, Kowloon, Hong Kong, respectively.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and details of the principal activities of its subsidiaries are set out in note 15 to the consolidated financial statements. There was no significant change in the Group's principal activities during the Year.

BUSINESS REVIEW

The business review of the Group for the Year is included in the Management Discussion and Analysis in this annual report on pages 4 to 9. This discussion forms part of this report of the Directors.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 7 October 2014 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. In preparation of the Listing, the companies now comprising the Group underwent the corporate reorganisation (the "**Reorganisation**") pursuant to which the Company became the holding company of the Group on 9 May 2015. For details of the Reorganisation, please refer to the section headed "History, Reorganisation and Group Structure" in the Prospectus.

The Company's shares have been listed on the Stock Exchange since 11 August 2015.

SEGMENT INFORMATION

An analysis of the Group's performance for the Year by operating segment is set out in note 4 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 35. No dividend was paid or proposed by the Company during the Year, nor has any dividend been proposed by the Directors since the end of the Year.

CLOSURE OF REGISTER OF MEMBERS

At the forthcoming AGM of the Company will be held on 6 September 2016 (Tuesday), the register of members of the Company will be closed from 5 September 2016 (Monday) to 6 September 2016 (Tuesday) (both days inclusive) for the said AGM or any adjournment thereof. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office no later than 4:30 p.m. on 2 September 2016 (Friday) in order to qualify for the right to attend and vote at the meeting (or any adjournment thereof). The share registrar and transfer office at:

Address: Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REPORT OF THE DIRECTORS

FIXED ASSETS

Details of movements in the fixed assets of the Company and of the Group during the Year are set out in note 13 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2016 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the Year in the share capital of the Company are set out in note 21 to the consolidated financial statements.

RESERVES

Details of movements in the reserve of the Group during the Year are set out in the consolidated statement of changes in equity on page 37.

As at 31 March 2016, the Company had reserves amounted to approximately HK\$79,252,000 available for distribution as calculated based on Company's share premium and capital reserve and accumulated loss under applicable provisions of the Companies Law in the Cayman Islands.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for last four financial years, as extracted from the audited consolidated financial statements in this annual report and the Prospectus is set out on page 80. This summary does not form part of the audited consolidated financial statements in this annual report.

EMOLUMENT POLICY FOR DIRECTORS

Directors' emoluments are determined with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the Remuneration Committee of the Company annually. Details of the Directors' remuneration are set out in note 9 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the Year amounted to HK\$12,000.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders of the Company on 9 May 2015, the Company adopted a share option scheme (the "**Scheme**") to attract and retain the best available personnel, to provide additional incentive to employees (full-time or part-time), directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive Directors or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

REPORT OF THE DIRECTORS

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK\$1 per option. Options may be exercised at any time during a period as the directors of the Company may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the directors of the Company, and will be at least the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i.e. 9 May 2015) and shall expire at the close of business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

No share options were granted since the adoption of the Scheme and there are no outstanding share options at the end of each reporting period. A summary of the principal terms and conditions of the Scheme is set out in Appendix IV to the Prospectus.

DIRECTORS

The Directors who held office during the Year and up to the date of this annual report were:

Executive Directors

Mr. Lau Woon Si (*Chairman*)
Mr. Fong Hon Hung (*Chief Executive Officer*)
Mr. Lau Chi Hing
Mr. Leung Man Lun Stephen
Mr. Lau Chi Shing

Independent Non-executive Directors

Mr. Law Yiu Sing
Mr. Ong Chi King
Mr. Ho Ho Ming

Information regarding Directors' emoluments is set out in note 9 to the consolidated financial statements. An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules have been received from each of the independent non-executive Directors.

DIRECTORS' SERVICE CONTRACT

All the independent non-executive Directors has respectively entered into a service contract with the Company for a term of two years commencing on 11 August 2015 unless terminated by not less than three months' notice in writing served by either party on the other.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contracts of significance to which the Company or any of its subsidiaries was a party in which a Director had a material interest subsisted at the end of the Year or any time during the Year.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 10 to 12 of this annual report.

REPORT OF THE DIRECTORS

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group are set out in notes 9 and 10 to the consolidated financial statements, respectively.

MANAGEMENT CONTRACTS

As at 31 March 2016, the Company did not enter into or have any management and administration contracts in respect of the whole and any principal business of the Company.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2016, interests or short positions in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and Chief Executive Officer of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and Stock Exchange pursuant to the Model Code are as follows:

(i) Long position in the Company's Shares

Name of Director	Capacity/Nature of interest	Number of Shares held/interested in	Approximate percentage of interests
Mr. Lau Woon Si ("Mr. WS Lau")	Interests held jointly with other persons; interest in controlled corporation (Notes 1 and 4)	599,100,000	74.89%
Mr. Fong Hon Hung ("Mr. Fong")	Interests held jointly with other persons; interest in controlled corporation (Notes 2 and 4)	599,100,000	74.89%
Mr. Leung Man Lun Stephen ("Mr. Leung")	Interests held jointly with other persons; interest in controlled corporation (Notes 3 and 4)	599,100,000	74.89%

Notes:

- (1) Mr. WS Lau owns approximately 94.65% shareholding in Suntecli Company Limited ("Suntecli"), which in turn beneficially owns 42.62% shareholding in the Company. Therefore, Mr. WS Lau is deemed or taken to be interested in all the Shares which are beneficially owned by Suntecli for the purpose of SFO. Mr. WS Lau is the Chairman, an executive Director and the chairman of the Nomination Committee of the Company.
- (2) Mr. Fong owns 79% shareholding in Samwood Global Limited ("Samwood"), which in turn beneficially owns 17.73% shareholding in the Company. Therefore, Mr. Fong is deemed or taken to be interested in all the Shares which are beneficially owned by Samwood for the purpose of SFO. Mr. Fong is the Chief Executive Officer and an executive Director of the Company.
- (3) Mr. Leung is an executive Director of the Company.
- (4) Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung are parties acting in concert (having the meaning as ascribed thereto in the Hong Kong Code on Takeovers and Mergers (the "Takeover Code") pursuant to a confirmatory deed dated 3 December 2014 (the "Concert Party Deed"). As such, immediately following completion of the global offering of the Shares (without taking into account any Share which may be issued upon the exercise of any option that may be granted under the Scheme (as defined below)), Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung will together control approximately 74.89% of the entire issued share capital of the Company.

REPORT OF THE DIRECTORS

(ii) Interests in the associate corporations

Name of Director	Position in the associated corporations	Percentage of interest in the associated corporations
Mr. WS Lau	Director of Suntecli (<i>Note</i>)	Approximately 94.65% in Suntecli
Mr. Lau Chi Hing (“ Mr. CH Lau ”)	Director of Suntecli (<i>Note</i>)	Approximately 1.07% in Suntecli
Mr. Lau Chi Shing (“ Mr. CS Lau ”)	N/A	Approximately 1.07% in Suntecli
Mr. Fong	Director of Samwood (<i>Note</i>)	79% in Samwood

Note:

Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung are parties acting in concert (having the meaning as ascribed thereto in the Takeover Code) pursuant to the Concert Party Deed. As such, immediately following completion of the Global Offering (without taking into account any Share which may be issued upon the exercise of any option that may be granted under the Scheme (as defined above)), Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung will together control approximately 74.89% of our entire issued share capital of the Company.

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2016, the following persons (not being a Director or Chief Executive Officer of the Company) had interests or short positions in the shares of the Company or underlying Shares which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares held/interested	Approximate percentage of interest
Suntecli	Interests held jointly with other persons; beneficial owner (<i>Note 1</i>)	599,100,000	74.89%
Samwood	Interests held jointly with other persons; beneficial owner (<i>Note 1</i>)	599,100,000	74.89%
Ms. So Choi	Interest of spouse (<i>Note 2</i>)	599,100,000	74.89%
Ms. Kwong Sui Sim	Interest of spouse (<i>Note 3</i>)	599,100,000	74.89%
Ms. Chan Sui Yau Cathy	Interest of spouse (<i>Note 4</i>)	599,100,000	74.89%

REPORT OF THE DIRECTORS

Notes:

- (1) Suntecli and Samwood with Mr. WS Lau, Mr. Fong and Mr. Leung, are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Concert Party Deed and accordingly each of them is deemed to be interested in the Shares held by each other. Pursuant to the Concert Party Deed, Mr. WS Lau, Mr. Fong, Mr. Leung, Suntecli and Samwood have been parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in the course of the Reorganisation and will continue to be parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) until such arrangement is terminated in writing by them pursuant to the Concert Party Deed.
- (2) Ms. So Choi is the spouse of Mr. WS Lau and is deemed or taken to be interested in all the Shares in which Mr. WS Lau has, or is deemed to have, an interest for the purposes of the SFO.
- (3) Ms. Kwong Sui Sim is the spouse of Mr. Fong and is deemed or taken to be interested in all the Shares in which Mr. Fong has, or is deemed to have, an interest for the purposes of the SFO.
- (4) Ms. Chan Sui Yau Cathy is the spouse of Mr. Leung and is deemed or taken to be interested in all the Shares in which Mr. Leung has, or is deemed to have, an interest for the purposes of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than those disclosed under the paragraph headed "Share Option Scheme" and "Directors' and Chief Executive Officer's Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the year ended 31 March 2016 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective close associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this annual report, the following Directors are considered to have interests in the following businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors of the Company were appointed as Directors to represent the interests of the Company and/or the Group pursuant to the Listing Rules as set out below:

Name of Director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the Group	Nature of interests of the Director in the entity
Mr. Ho Ho Ming	KSL Holdings Limited	Principally engaged in the provision of engineering consulting, contracting and project management services in Hong Kong with a focus on geotechnical engineering works.	Independent non-executive Director
	LEAP Holdings Group Limited	Principally engaged in the provision of (i) foundation works and ancillary services; and (ii) construction wastes handling at the public fill reception facilities manage by the government in Hong Kong.	Independent non-executive Director

REPORT OF THE DIRECTORS

Name of Director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the Group	Nature of interests of the Director in the entity
Mr. Law Yiu Sing	Fraser Holdings Limited	Principally engaged in the provision of slope works, foundation works, and other general building works in Hong Kong.	Independent non-executive Director
Mr. Ong Chi King	Deson Construction International Holdings Limited (" Deson ")	Principally engaged in (i) building construction works; (ii) electrical and mechanical engineering works; and (iii) fitting out works.	Executive Director and interests in approximately 0.98% of issued share capital of Deson
	WLS Holdings Limited	Principally engaged in (i) provision of management contracting services; and (ii) other services for construction and building work.	Independent non-executive Director
	KSL Holdings Limited	Principally engaged in the provision of engineering consulting, contracting and project management services in Hong Kong with a focus on geotechnical engineering works.	Independent non-executive Director (resigned on 2 June 2016)

As the Board of Directors of the Company is independent of the boards of these entities, the Group is therefore capable of carrying on such business independently of, and at arm's length from the businesses of these entities.

All the independent non-executive Directors are delegated with the authority to review the non-competition undertakings (the "**Non-competition Undertakings**") dated 12 May 2015 given by Mr. WS Lau, Mr. Fong, Mr. Leung, Suntecli and Samwood. The independent non-executive Directors were not aware of any non-compliance of the Non-competition Undertakings given by Mr. WS Lau, Mr. Fong, Mr. Leung, Suntecli and Samwood during the Year.

Each of Mr. WS Lau, Mr. Fong, Mr. Leung, Suntecli and Samwood has confirmed that he/it had complied with the Non-competition Undertakings given by them during the Year.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's purchases and turnover attributable to major suppliers and customers during the Year and 31 March 2015 are as follows:

	2016 %	2015 %
Percentage of construction material purchases and construction subcontracted:		
From the largest supplier	8.43%	11.70%
From the five largest suppliers	32.52%	40.70%
Percentage of turnover		
From the largest customers	33.82%	15.76%
From the five largest customers	72.63%	65.67%

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors who owned more than 5% of the Company's share capital) had any interest in the five largest customers nor suppliers during the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities since the Date of Listing.

PERMITTED INDEMNITY

During the Year, the Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company. The insurance covers the corresponding costs, charges, expenses and liabilities for legal action of corporate activities against them.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the Year set out in note 24 to the consolidated financial statements included transactions that constitute connected/continuing connected transactions for which the disclosure requirement under the Listing Rules have been complied with.

CONNECTED TRANSACTIONS

During the Year, the Group had the following connected transactions:

	HK\$
Lease of properties from	
– Chung Hang Enterprises Holdings Limited	624,000
– Chung Wah Investment Company Limited	1,140,000
	<hr/>
	1,764,000

REPORT OF THE DIRECTORS

Chung Hang Enterprises Holdings Limited (“**Chung Hang**”) is owned by Mr. WS Lau as to approximately 94.65%. Mr. WS Lau is one of the Controlling Shareholders, an executive Director and the Chairman of the Board of the Group.

Chung Wah Investment Company Limited (“**Chung Wah**”) is owned by Chung Hang and Mr. WS Lau as to 95.00% and 2.50%, respectively.

The transaction constitutes connected transactions and disclosure required by Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had following continuing connected transactions:

Lease agreements

Name of suppliers	Term of lease agreements	Monthly rent HK\$	Annual rent HK\$
Chung Hang	1 April 2015 to 31 March 2016	52,000	624,000
Chung Wah	1 April 2015 to 31 March 2016	95,000	1,140,000
			<u>1,764,000</u>

The lease agreements were entered into on normal commercial terms and in the ordinary and usual course of business of the Group where each of the relevant percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules is less than 5% and total fees payable under lease agreements are less than HK\$3,000,000. Pursuant to Chapter 14A of the Listing Rules, the lease agreements are exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has retained the prescribed public float of at least 25% of the Company’s total issued share capital as at the date of this annual report pursuant to the Listing Rules.

EVENTS AFTER THE YEAR

There is no material subsequent event undertaken by the Group after 31 March 2016 and up to the date of this annual report.

AUDITORS

The Company has nominated HLB Hodgson Impey Cheng Limited as the auditors of the Group with effect from 9 May 2016 until conclusion of the forthcoming general meeting.

The consolidated financial statements for the year ended 31 March 2016 have been audited by HLB Hodgson Impey Cheng Limited, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE CODE

The Company had complied with all the applicable code provisions as set out in the Code contained in Appendix 14 of the Listing Rules from the Date of Listing to 31 March 2016.

The details of Group's compliance with the Code is set out in the Corporate Governance Report from page 13 to page 22 of this annual report.

On behalf of the Board

Lau Woon Si

Chairman

Hong Kong, 29 June 2016

INDEPENDENT AUDITORS' REPORT



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF WAN KEI GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Wan Kei Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 35 to 79, which comprise the consolidated statement of financial position as at 31 March 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Jonathan T. S. Lai

Practising Certificate Number: P04165

Hong Kong, 29 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016 (in HK Dollars)

	Notes	2016	2015
Turnover	4(a)	369,569,772	408,127,724
Direct costs		(291,561,447)	(293,961,663)
Gross profit		78,008,325	114,166,061
Other revenue	5	815,534	1,675,433
Other net income	6	739,098	840,073
General and administrative expenses		(46,261,694)	(39,283,432)
Profit from operations		33,301,263	77,398,135
Finance costs	7(a)	(419,549)	(642,057)
Profit before taxation	7	32,881,714	76,756,078
Income tax	8	(7,317,439)	(14,449,841)
Profit and total comprehensive income for the year		25,564,275	62,306,237
Attributable to:			
Equity shareholders of the Company		25,573,227	61,999,801
Non-controlling interests		(8,952)	306,436
Profit and total comprehensive income for the year		25,564,275	62,306,237
Earnings per share			
– Basic and diluted (HK cents per share)	12	3.35	8.86

Details of the dividends for the year are disclosed in note 11 to the consolidated financial statements.

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016 (in HK Dollars)

	Notes	2016	2015
Non-current assets			
Fixed assets	13	41,857,929	44,339,280
Prepayment		34,500	50,000
Club memberships		400,000	400,000
Deferred tax assets	8(c)	61,874	149,150
		42,354,303	44,938,430
Current assets			
Gross amounts due from customers for contract work	14	50,770,892	55,190,995
Trade and other receivables	16	96,114,462	90,145,386
Tax recoverable	8(c)	2,216,965	7,089,782
Cash and cash equivalents	17	150,291,845	74,955,617
		299,394,164	227,381,780
Current liabilities			
Gross amounts due to customers for contract work	14	36,215,434	15,306,341
Trade and other payables	18	35,156,111	27,518,314
Dividend payable		–	60,000,000
Obligations under finance leases	19	–	9,197,146
Tax payable	8(c)	2,223,367	4,245,708
		73,594,912	116,267,509
Net current assets			
		225,799,252	111,114,271
Total assets less current liabilities			
		268,153,555	156,052,701
Non-current liabilities			
Obligations under finance leases	19	–	3,200,582
Provision for long service payment		557,333	861,394
Deferred tax liabilities	8(c)	5,320,396	4,896,076
		5,877,729	8,958,052
NET ASSETS			
		262,275,826	147,094,649
CAPITAL AND RESERVES			
Share capital	21(c)	8,000,000	10,350,100
Reserves		254,275,826	136,129,877
Total equity attributable to equity shareholders of the Company			
		262,275,826	146,479,977
Non-controlling interests			
		–	614,672
TOTAL EQUITY			
		262,275,826	147,094,649

The consolidated financial statement on pages 35 to 79 were approved and authorised for issue by the Board of Directors on 29 June 2016 and are signed on its behalf by:

Lau Woon Si
Director

Fong Hon Hung
Director

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016 (in HK Dollars)

	Notes	Attributable to equity shareholders of the Company					Total	Non-controlling interests	Total equity
		Share capital	Share premium	Merger reserve (Note a)	Capital reserve (Note b)	Retained profits			
Balance at 1 April 2014		10,350,100	-	-	-	133,980,076	144,330,176	458,236	144,788,412
Changes in equity for 2015:									
Profit and total comprehensive income for the year		-	-	-	-	61,999,801	61,999,801	306,436	62,306,237
Dividends declared	11	-	-	-	-	(59,850,000)	(59,850,000)	(150,000)	(60,000,000)
Balance at 31 March 2015 and 1 April 2015		10,350,100	-	-	-	136,129,877	146,479,977	614,672	147,094,649
Changes in equity for 2016:									
Elimination of share capital on Reorganisation		(10,350,100)	-	-	-	-	(10,350,100)	-	(10,350,100)
Shares issued on Reorganisation	21(c)	7,000,000	-	3,955,820	-	-	10,955,820	(605,720)	10,350,100
Shares issued under share offer	21(c)	1,000,000	84,000,000	-	-	-	85,000,000	-	85,000,000
Shares issue expenses		-	(5,052,399)	-	-	-	(5,052,399)	-	(5,052,399)
Deemed capital contribution		-	-	-	9,669,301	-	9,669,301	-	9,669,301
Profit and total comprehensive income for the year		-	-	-	-	25,573,227	25,573,227	(8,952)	25,564,275
Balance at 31 March 2016		8,000,000	78,947,601	3,955,820	9,669,301	161,703,104	262,275,826	-	262,275,826

Notes:

- (a) Merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the reorganisation of the Group (the "Reorganisation").
- (b) The capital reserve represents the deemed capital contribution from its equity shareholders, Suntecli Company Limited, Samwood Global Limited, Mr. Leung Man Lun Stephen and Ms. Yeung Siu Lai Shirley, in relation to listing expenses reimbursed to the Company during the year ended 31 March 2016.

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016 (in HK Dollars)

	Notes	2016	2015
Cash generated from operations	17(b)	79,229,335	47,825,212
Tax paid		(3,955,367)	(24,468,898)
Net cash generated from operating activities		75,273,968	23,356,314
Investing activities			
Payment for the purchase of fixed assets		(17,518,865)	(6,834,323)
Proceeds from disposal of fixed assets		775,500	800,000
Net proceeds from sales and leaseback transactions		–	4,256,400
Net advance to related parties		–	(2,620,594)
Cash inflow from acquisition of a subsidiary	25	–	6,823,641
Interest received		6,000	32,000
Net cash (used in)/generated from investing activities		(16,737,365)	2,457,124
Financing activities			
Capital element of finance lease rentals paid		(12,397,728)	(13,407,349)
Interest element of finance lease rentals paid		(419,549)	(642,057)
Payments for share issue capitalised		–	(2,857,687)
Proceeds from issue of shares		85,000,000	–
Expenses on issue of shares		(5,052,399)	–
Proceeds from deemed capital contribution		9,669,301	–
Dividends declared and paid to the then equity shareholders		(60,000,000)	–
Net cash generated from/(used in) financing activities		16,799,625	(16,907,093)
Net increase in cash and cash equivalents		75,336,228	8,906,345
Cash and cash equivalents at the beginning of the year		74,955,617	66,049,272
Cash and cash equivalents at the end of the year	17(a)	150,291,845	74,955,617

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

1. GENERAL INFORMATION

Wan Kei Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 7 October 2014 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company’s registered office is Clifton House, 75 Fort Street, P.O.Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is Rooms 6 & 8, 9/F, Block A, Fuk Keung Industrial Building, No.66-68 Tong Mi Road, Mongkok, Kowloon, Hong Kong.

Pursuant to the Reorganisation which was completed on 9 May 2015 to rationalise the corporate structure in preparation for the listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 28 July 2015 (the “**Prospectus**”).

The Group’s businesses were conducted principally through Wan Kei Geotechnical Engineering Company Limited (“**Wan Kei Engineering**”), Wan Kei Machinery Company Limited (“**Wan Kei Machinery**”) and Chun Shun Boring Engineering Company Limited (“**Chun Shun**”). These companies were controlled by Mr. Lau Woon Si, Mr. Fong Hon Hung and Mr. Leung Man Lun Stephen (hereinafter collectively referred to as the “**Controlling Shareholders**”). Mr. Lau Woon Si and Mr. Fong Hon Hung controlled these companies through Chung Hang Enterprises Holdings Limited and Gold Crown Consultants Limited up to 20 November 2014 respectively and thereafter through Suntecli Company Limited and Samwood Global Limited respectively.

The companies that took part in the Reorganisation were controlled by the Controlling Shareholders before and after the Reorganisation. As the control is not transitory and, consequently, there was a continuation of the risks and benefits to the Controlling Shareholders, the Reorganisation is considered to be a restructuring of entities under common control. The consolidated financial statements has been prepared using the merger basis of accounting as if the Group has always been in existence. The net assets of the companies taking part in the Reorganisation are combined using the book values from the Controlling Shareholders’ perspective. The equity interests of equity shareholders other than the Controlling Shareholders in the companies taking part in the Reorganisation have been presented as non-controlling interests in the Group’s consolidated financial statements.

The Company’s shares were listed on the Stock Exchange on 11 August 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 March 2016 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis, except certain assets and liabilities are stated at their fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these consolidated financial statements as the defined benefit plans operated by the Group are wholly funded by contributions from the Group and do not involve contributions from employees or third parties.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the equity shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the equity shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

(e) Merger accounting for business combination involving entities under common control

The consolidated financial statements include the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period unless the combining entities or businesses first came under common control at a later date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(f) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligation towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset. The fair value is the transaction price unless fair value can be more reliably estimated using valuation technique whose variables include only data from observable markets. Cost includes attributable transaction costs.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)), unless the investment is classified as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(g) Fixed assets

Fixed assets is stated at cost less accumulated depreciation and impairment losses (see note 2(j)).

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- | | |
|--------------------------|-----------|
| • Furniture and fixtures | 5 years |
| • Leasehold improvements | 5 years |
| • Motor vehicles | 5 years |
| • Machinery | 4-5 years |

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Club memberships

Club memberships are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)).

Amortisation of club memberships with finite useful life is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Both the period and method of amortisation are reviewed annually.

Club memberships are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set above.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(i) Leased assets – Continued

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other current and non-current receivables that are stated at cost or amortised cost or are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(j) Impairment of assets – Continued

(i) Impairment of trade and other receivables – Continued

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that fixed assets and club memberships may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(k) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(t)(i). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract 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 costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the consolidated statement of financial position as the “Gross amounts due from customers for contract work” (as an asset) or the “Gross amounts due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included under “Trade and other receivables”. Amounts received before the related work is performed are included under “Trade and other payables”.

(l) Ground investigation services contracts

Contract revenue on rendering of ground investigation services comprises the contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads. The accounting policy for service revenue is set out in note 2(t)(ii). When the outcome of a service contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract 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 service contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Service contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the consolidated statement of financial position as the “Gross amounts due from customers for contract work” (as an asset) or the “Gross amounts due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included under “Trade and other receivables”. Amounts received before the related work is performed are included under “Trade and other payables”.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(q) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(r) Income tax – Continued

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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, whose existence 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Construction contract revenue*

Revenue from construction contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established according to the progress payment application (by reference to the amount of completed works confirmed by in-house surveyor) submitted to the customers.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

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

(ii) *Ground investigation services revenue*

Revenue from ground investigation services is recognised based on the stage of completion of the service contracts, provided that the stage of service contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a service contract is established according to progress certificates issued by customers.

Variations in contract work, claims and incentive payments are included in service contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

When the outcome of a service contract cannot be estimated reliably, revenue is recognised only to the extent of service contract costs incurred that it is probable will be recoverable.

(iii) *Rental income from lease of machinery*

Rental income receivable from lease of machinery is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(w) Related parties

- (1) 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 the key management personnel of the Group or the Group's parent.
- (2) An entity is related to the Group if any of the following conditions applies:
 - (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 employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (1).
 - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

No geographic information is shown as the revenue and profit from operations of the Group are primarily derived from its activities in Hong Kong.

3. ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the fixed assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(ii) Impairment of trade receivables

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivables balance, credit-worthiness of the customer and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

3. ACCOUNTING JUDGEMENT AND ESTIMATES – CONTINUED

(b) Sources of estimation uncertainty

Construction contracts and ground investigation service contracts

As explained in policy notes 2(k), 2(l), 2(t)(i) and 2(t)(ii), revenue recognition on a project is dependent on management's estimation of the total outcome of the construction and service contracts, with reference to the progress payment applications submitted by the Company and progress certificates issued by customers respectively. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction and service contract as the contract progresses. Budgeted construction and service costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction and service costs by comparing the budgeted amounts to the actual costs incurred.

Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction and service contracts and the corresponding profit taken.

Management base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

4. TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are foundation construction and ground investigation.

Turnover represents revenue from construction contracts and from ground investigation services. The amount of each significant category of revenue is as follows:

	2016	2015
Revenue from construction contracts	326,659,903	363,070,059
Revenue from ground investigation services	42,909,869	45,057,665
	369,569,772	408,127,724

For the years ended 31 March 2016 and 2015, there were 3 and 5 customers which individually contributed over 10% of the Group's revenue in relation to construction contracts, respectively. The aggregate amount of revenue from these customers amounted to approximately 64% and 66% of the Group's total revenue, respectively.

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Foundation construction: this segment provides foundation construction work to customers in Hong Kong and Macau.
- Ground investigation services: this segment provides ground investigation services to customers in Hong Kong.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's revenue, profit from operations and assets were derived from activities outside Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

4. TURNOVER AND SEGMENT REPORTING – CONTINUED

(b) Segment reporting – Continued

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all current and non-current assets with the exception of unallocated head office and corporate assets, tax recoverable and deferred tax assets (if any). Segment liabilities include all current and non-current liabilities with the exception of tax payable and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. The measure used for reporting segment profit is profit before taxation.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2016 and 2015 is set out below:

	Year ended 31 March 2016		
	Foundation construction	Ground investigation services	Total
Revenue from external customers	326,659,903	42,909,869	369,569,772
Reportable segment revenue	326,659,903	42,909,869	369,569,772
Reportable segment profit	39,739,472	2,514,447	42,253,919
Interest expenses	412,037	7,512	419,549
Depreciation and amortisation for the year	19,568,418	671,622	20,240,040
Reportable segment assets	243,932,952	24,391,600	268,324,552
Fixed assets	39,207,768	2,650,161	41,857,929
Trade and other receivables	87,864,643	8,134,928	95,999,571
Additions to non-current segment assets during the year	16,296,431	1,312,434	17,608,865
Reportable segment liabilities	69,852,549	11,175,949	81,028,498
Trade and other payables	28,161,934	6,994,177	35,156,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

4. TURNOVER AND SEGMENT REPORTING – CONTINUED

(b) Segment reporting – Continued

(i) Segment results, assets and liabilities (Continued)

	Year ended 31 March 2015		Total
	Foundation construction	Ground investigation services	
Revenue from external customers	363,070,059	45,057,665	408,127,724
Reportable segment revenue	363,070,059	45,057,665	408,127,724
Reportable segment profit	70,934,908	7,321,170	78,256,078
Interest expenses	600,377	41,680	642,057
Depreciation and amortisation for the year	19,544,114	634,936	20,179,050
Reportable segment assets	241,742,144	25,162,963	266,905,107
Fixed assets	42,313,930	2,025,350	44,339,280
Trade and other receivables	78,785,704	11,359,682	90,145,386
Additions to non-current segment assets during the year	5,119,142	165,181	5,284,323
Reportable segment liabilities	106,333,514	11,574,092	117,907,606
Finance leases payable	12,136,063	261,665	12,397,728
Trade and other payables	20,356,897	7,161,417	27,518,314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

4. TURNOVER AND SEGMENT REPORTING – CONTINUED

(b) Segment reporting – Continued

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2016	2015
Revenue		
Reportable segment revenue and consolidated turnover (note 4(a))	369,569,772	408,127,724
Profit		
Reportable segment profit	42,253,919	78,256,078
Elimination of inter-segment profits	–	(1,500,000)
Unallocated head office and corporate expenses	(9,372,205)	–
Consolidated profit before taxation	32,881,714	76,756,078
Assets		
Reportable segment assets	268,324,552	266,905,107
Elimination of inter-segment receivables	(9,099,620)	(1,823,829)
	259,224,932	265,081,278
Tax recoverable	2,216,965	7,089,782
Deferred tax assets	61,874	149,150
Unallocated head office and corporate assets	80,244,696	–
Consolidated total assets	341,748,467	272,320,210
Liabilities		
Reportable segment liabilities	81,028,498	117,907,606
Elimination of inter-segment payables	(9,099,620)	(1,823,829)
	71,928,878	116,083,777
Tax payable	2,223,367	4,245,708
Deferred tax liabilities	5,320,396	4,896,076
Consolidated total liabilities	79,472,641	125,225,561

5. OTHER REVENUE

	2016	2015
Rental income from lease of machinery	73,733	1,060,162
Others	741,801	615,271
	815,534	1,675,433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

6. OTHER NET INCOME

	2016	2015
Gain on disposal of fixed assets	693,500	800,000
Net foreign exchange gain	45,598	40,073
	739,098	840,073

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2016	2015
(a) Finance costs		
Finance charges on obligations under finance leases	419,549	642,057
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	2,112,956	2,220,854
Salaries, wages and other benefits	69,807,648	65,361,876
	71,920,604	67,582,730
(Less)/add: Amount included in gross amounts due (to)/from customers for contract work	(1,054,390)	29,470
	70,866,214	67,612,200
(c) Other items		
Depreciation	19,973,716	20,385,593
Add/(less): Amount included in gross amounts due from/(to) customers for contract work	266,324	(206,543)
	20,240,040	20,179,050
Operating lease charges		
– hire of machinery	20,037,114	19,355,568
– hire of properties	1,801,760	1,795,130
Auditors' remuneration	750,000	245,000
Listing expenses (included in general and administrative expenses)	9,235,831	10,792,423
Net foreign exchange gain	(45,598)	(40,073)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

8. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2016	2015
Current tax		
Provision for Hong Kong Profits Tax for the year	6,393,653	14,497,670
Under-provision in respect of prior years	343,956	–
	6,737,609	14,497,670
Current tax – Overseas		
Provision for the year	68,234	–
Deferred tax		
Origination and reversal of temporary differences	511,596	(47,829)
	7,317,439	14,449,841

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 March 2016 and 2015, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2015-16 subject to a maximum reduction of HK\$20,000 for each business (2015: a maximum reduction of HK\$20,000 was granted for the year of assessment 2014-15).
- (iii) The provision for Macau Complementary Tax is calculated at 12% of the estimated assessable profits for the year ended 31 March 2016. No provision for Macau Complementary Tax has been made in the consolidated financial statement as the Group did not earn any income subject to Macau Complementary Tax for the year ended 31 March 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

8. INCOME TAX – CONTINUED

(b) Reconciliation between income tax expense and accounting profit before taxation at applicable tax rates:

	2016	2015
Profit before taxation	32,881,714	76,756,078
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	5,414,636	12,673,816
Tax effect of non-deductible expenses	1,548,892	2,006,770
Tax effect of non-taxable income	(2,703)	(192,829)
Statutory tax concession	(112,000)	(60,000)
Under-provision in respect of prior years	343,956	–
Others	124,658	22,084
Actual tax expense	7,317,439	14,449,841

(c) Income tax in the consolidated statement of financial position represents:

(i) Current taxation

	2016	2015
Provision for Hong Kong Profits Tax for the year	6,393,653	14,497,670
Provisional Profits Tax paid	(8,603,966)	(20,211,893)
	(2,210,313)	(5,714,223)
Balance of Hong Kong Profit Tax provision relating to prior years	2,148,481	164,741
Provision for overseas tax (note)	68,234	2,705,408
	6,402	(2,844,074)
Representing:		
Tax recoverable	(2,216,965)	(7,089,782)
Tax payable	2,223,367	4,245,708
	6,402	(2,844,074)

Note: As at 31 March 2015, overseas tax represents Complementary Tax payable in Macau by a subsidiary, in respect of the income earned before it was acquired by the Group (see note 25).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

8. INCOME TAX – CONTINUED

(c) Income tax in the consolidated statement of financial position represents: – Continued

(ii) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation	Tax losses	Others	Total
At 1 April 2014	(5,783,743)	851,388	137,600	(4,794,755)
Credited/(charged) to profit or loss	887,667	(851,388)	11,550	47,829
At 31 March 2015 and 1 April 2015	(4,896,076)	–	149,150	(4,746,926)
Charged to profit or loss	(424,320)	–	(87,276)	(511,596)
At 31 March 2016	(5,320,396)	–	61,874	(5,258,522)

Reconciliation to the consolidated statement of financial position is as follows:

	2016	2015
Net deferred tax assets recognised in the consolidated statement of financial position	61,874	149,150
Net deferred tax liabilities recognised in the consolidated statement of financial position	(5,320,396)	(4,896,076)
	(5,258,522)	(4,746,926)

(d) There were no material unrecognised deferred tax assets as at 31 March 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

9. DIRECTORS' REMUNERATION

Directors' remuneration during the years ended 31 March 2016 and 2015 which was included in the staff costs as disclosed in note 7(b) is as follows:

Year ended 31 March 2016

	Director's fee	Discretionary bonus	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
Executive Directors					
Mr. Lau Woon Si (Chairman) (note (i))	-	500,000	1,560,000	-	2,060,000
Mr. Fong Hon Hung (Chief Executive Officer) (note (i))	-	400,000	1,495,000	18,000	1,913,000
Mr. Lau Chi Hing (note (i))	-	400,000	1,495,000	18,000	1,913,000
Mr. Lau Chi Shing (note (i))	-	300,000	1,040,000	18,000	1,358,000
Mr. Leung Man Lun Stephen (note (i))	-	400,000	1,430,000	-	1,830,000
	-	2,000,000	7,020,000	54,000	9,074,000
Independent Non-executive Directors					
Mr. Law Yiu Sing (note (ii))	92,130	-	-	-	92,130
Mr. Ong Chi King (note (iii))	92,130	-	-	-	92,130
Mr. Ho Ho Ming (note (ii))	92,130	-	-	-	92,130
	276,390	-	-	-	276,390
Total	276,390	2,000,000	7,020,000	54,000	9,350,390

Year ended 31 March 2015

Executive Directors

Mr. Lau Woon Si (Chairman) (note (i))	-	400,000	1,704,000	-	2,104,000
Mr. Fong Hon Hung (Chief Executive Officer) (note (i))	-	300,000	1,595,167	17,500	1,912,667
Mr. Lau Chi Hing (note (i))	-	300,000	1,618,167	17,500	1,935,667
Mr. Lau Chi Shing (note (i))	-	220,000	982,051	17,500	1,219,551
Mr. Leung Man Lun Stephen (note (i))	-	300,000	1,370,000	-	1,670,000
Total	-	1,520,000	7,269,385	52,500	8,841,885

During the year ended 31 March 2016, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2015: HK\$nil). Neither the chief executive officer nor any of the directors waived any emoluments during the years ended 31 March 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

9. DIRECTORS' REMUNERATION – CONTINUED

During the year ended 31 March 2016, none of the director has granted share options, in respect of their services to the Group under the share option scheme of the Company.

Notes:

- (i) Appointed as executive directors of the Company on 28 November 2014.
- (ii) Appointed as independent non-executive directors of the Company on 28 November 2014.
- (iii) Appointed as independent non-executive director of the Company on 17 June 2015.
- (iv) During the year ended 31 March 2015, the independent non-executive directors have not yet been appointed and received HK\$nil directors' remuneration in the capacity of independent non-executive directors.

10. EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid individuals of the Group, four of these are directors for the years ended 31 March 2016 and 2015 respectively, whose emoluments are disclosed in note 9. The emoluments in respect of the remaining individual are as follows:

	2016	2015
Salaries, allowances and benefits in kind	1,287,000	1,201,000
Discretionary bonus	350,000	260,000
Retirement scheme contributions	18,000	17,500
	1,655,000	1,478,500

During the year ended 31 March 2016, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) or other directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2015: HK\$ nil).

11. DIVIDENDS

	2016	2015
Interim dividends paid	–	60,000,000

The directors do not recommend the payment of final dividend for the year ended 31 March 2016. No dividend has been paid or declared by the Company since its incorporation.

During the year ended 31 March 2015, the interim dividends of HK\$60,000,000 represented the dividends paid by respective subsidiaries of the Company to their then equity shareholders prior to the Reorganisation.

The rate of dividend and the number of shares ranking for dividends have not been presented as such information is not meaningful having regard to the purpose of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share attributable to equity shareholders of the Company is based on the following:

	2016	2015
Earnings		
Profit attributable to equity shareholders of the Company	25,573,227	61,999,801
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	763,934,426	700,000,000

For the year ended 31 March 2016, the calculation of the basic earnings per share attributable to equity shareholders of the Company was based on (i) the profit attributable to equity shareholders of the Company and (ii) the weighted average number of ordinary shares (adjusted retrospectively for 10,000 shares in issue and 699,990,000 shares to be issued pursuant to the Reorganisation on 9 May 2015), and the effects of 100,000,000 shares issued under public offer and placing as described in note 21(c).

For the year ended 31 March 2015, the calculation of the basic earnings per share attributable to equity shareholders of the Company was based on (i) the profit attributable to equity shareholders of the Company and (ii) the weighted average number of 700,000,000 shares (comprising 10,000 shares in issue, 699,990,000 shares issued pursuant to the Reorganisation on 9 May 2015), as if these 700,000,000 shares were outstanding since 1 April 2014.

(b) Diluted earnings per share

There were no diluted potential shares in existence during the years ended 31 March 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

13. FIXED ASSETS

	Machinery	Leasehold improvements	Furniture and fixtures	Motor vehicles	Total
Cost:					
At 1 April 2014	121,117,112	395,880	894,454	4,444,745	126,852,191
Additions	5,110,392	–	123,931	–	5,234,323
Disposals	(651,000)	–	–	–	(651,000)
At 31 March 2015	125,576,504	395,880	1,018,385	4,444,745	131,435,514
At 1 April 2015	125,576,504	395,880	1,018,385	4,444,745	131,435,514
Additions	11,707,314	–	99,575	5,767,476	17,574,365
Disposals	(756,000)	–	–	(821,793)	(1,577,793)
At 31 March 2016	136,527,818	395,880	1,117,960	9,390,428	147,432,086
Accumulated depreciation:					
At 1 April 2014	65,099,433	257,322	501,079	1,503,807	67,361,641
Charge for the year	19,403,712	79,176	174,115	728,590	20,385,593
Written back on disposals	(651,000)	–	–	–	(651,000)
At 31 March 2015	83,852,145	336,498	675,194	2,232,397	87,096,234
At 1 April 2015	83,852,145	336,498	675,194	2,232,397	87,096,234
Charge for the year	18,540,556	59,382	159,581	1,214,197	19,973,716
Written back on disposals	(756,000)	–	–	(739,793)	(1,495,793)
At 31 March 2016	101,636,701	395,880	834,775	2,706,801	105,574,157
Net book value:					
At 31 March 2015	41,724,359	59,382	343,191	2,212,348	44,339,280
At 31 March 2016	34,891,117	–	283,185	6,683,627	41,857,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

13. FIXED ASSETS – CONTINUED

Fixed assets held under finance leases

Certain machinery was held under finance leases and their net book value is analysed as follows:

	2016	2015
Cost – Capitalised finance lease	–	42,022,528
Accumulated depreciation	–	(18,265,963)
Net book value	–	23,756,565

During the years ended 31 March 2016 and 2015, additions to machinery and motor vehicles of the Group financed by new finance leases were HK\$nil and HK\$4,320,000 respectively.

14. GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2016	2015
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	299,507,891	363,329,419
Less: Progress billings received and receivable	(248,736,999)	(308,138,424)
	50,770,892	55,190,995
Gross amounts due to customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	663,746,655	367,725,871
Less: Progress billings received and receivable	(699,962,089)	(383,032,212)
	(36,215,434)	(15,306,341)

The gross amounts due from customers for contract work at 31 March 2016 that is expected to be recovered after more than one year is HK\$31,871,683 (2015: HK\$50,011,286). The gross amounts due to customers for contract work at 31 March 2016 that is expected to be settled after more than one year is HK\$14,571,403 (2015: HK\$7,166,284).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

15. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiary	
Hong Kong Wan Wai Company Limited	British Virgin Islands ("BVI")	Ordinary shares US\$10,000	100%	100%	–	Investment holding
Chung Shun Boring Engineering Company Limited	Hong Kong	Ordinary shares HK\$700,000	100%	–	100%	Ground investigation works
Wan Kei Geotechnical Engineering Company Limited	Hong Kong	Ordinary shares HK\$10,000,000	100%	–	100%	Construction site foundation engineering and bore pile pre-drilling works
Wan Kei Machinery Company Limited	Hong Kong	Ordinary shares HK\$100	100%	–	100%	Machinery leasing
Wan Kei (Macau) Civil And Foundation Construction Company Limited*	Macau	2 shares of MOP 14,000	100%	–	100%	Construction site foundation engineering and bore pile pre-drilling works

* Company not audited by HLB Hodgson Impey Cheng Limited ("HLB"). The financial statements of the subsidiary not audited by HLB reflect total net assets and total revenue constituting approximately 0.01% and 0.04% respectively of the related consolidated totals.

16. TRADE AND OTHER RECEIVABLES

	2016	2015
Trade debtors	28,275,427	24,331,349
Deposits, prepayments and other receivables (note (i))	9,562,537	13,167,222
Retention receivables (note (ii))	58,276,498	52,646,815
	96,114,462	90,145,386

Notes:

- (i) Except for the amounts of HK\$50,000 and HK\$20,000 as at 31 March 2016 and 2015 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.
- (ii) Except for the amounts of HK\$12,481,386 and HK\$22,424,971 as at 31 March 2016 and 2015 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

16. TRADE AND OTHER RECEIVABLES – CONTINUED

(a) Ageing analysis

At the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the date of progress certificates issued by customers and net of allowance for doubtful debts, is as follows:

	2016	2015
Within 1 month	23,059,515	22,116,303
1 to 2 months	1,928,652	506,700
2 to 3 months	1,473,102	–
Over 3 months	1,814,158	1,708,346
	28,275,427	24,331,349

Trade debtors are normally due within 30 to 50 days from the payment application date or 0 to 60 days from the certificate date. Further details on the Group's credit policy are set out in note 22(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(j)(i)).

At 31 March 2016 and 2015, none of the trade debtors was individually determined to be impaired.

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2016	2015
Neither past due nor impaired	7,504,437	14,071,952
Less than 1 month past due	6,799,772	8,551,051
1 to 3 months past due	10,667,425	–
Over 3 months past due	3,303,793	1,708,346
	28,275,427	24,331,349

Receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

17. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2016	2015
Cash at banks and in hand	150,291,845	74,955,617

(b) Reconciliation of profit before taxation to cash generated from operations:

	Notes	2016	2015
Operating activities			
Profit before taxation		32,881,714	76,756,078
Adjustments for:			
Finance costs	7(a)	419,549	642,057
Depreciation	7(c)	19,973,716	20,385,593
Interest income		(6,000)	(32,000)
Gain on disposal of fixed assets	6	(693,500)	(800,000)
Changes in working capital:			
Increase in trade and other receivables		(5,969,076)	(20,189,461)
Decrease in gross amounts due from customers for contract work		4,420,103	404,995
Decrease in amounts due from related parties		–	874,600
Increase/(decrease) in trade and other payables		7,597,797	(25,855,532)
Increase/(decrease) in gross amounts due to customers for contract work		20,909,093	(3,394,780)
Decrease in amounts due to related parties		–	(1,493,643)
(Decrease)/increase in provision for long service payment		(304,061)	527,305
Cash generated from operations		79,229,335	47,825,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

18. TRADE AND OTHER PAYABLES

	2016	2015
Trade payables	25,943,435	21,546,284
Retention payables (note (ii))	3,917,028	1,952,147
Other payables and accruals	5,295,648	4,019,883
	35,156,111	27,518,314

Notes:

- (i) Save as disclosed in note 18(ii) below, all trade and other payables are expected to be settled within one year.
- (ii) Except for the amounts of HK\$487,634 and HK\$390,219 as at 31 March 2016 and 2015 respectively, all of the remaining balances are expected to be settled within one year.
- (iii) An ageing analysis of trade payables based on the invoice date is as follows:

	2016	2015
Within 1 month	13,352,952	11,387,634
1 to 2 months	7,932,472	3,869,230
2 to 3 months	586,941	1,007,988
Over 3 months	4,071,070	5,281,432
	25,943,435	21,546,284

19. OBLIGATIONS UNDER FINANCE LEASES

	2016	2015
	Present value of the minimum lease payments	Present value of the minimum lease payments
	Total minimum lease payments	Total minimum lease payments
Within 1 year	-	9,197,146
After 1 year but within 2 years	-	3,144,901
After 2 years but within 5 years	-	55,681
	-	3,200,582
	-	12,397,728
Less: total future interest expenses	-	(336,851)
Present value of lease obligations	-	12,397,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

20. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to June 2014). Contributions to the plan vest immediately.

21. CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group’s consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company’s individual components of equity between the beginning and the end of the year are set out below.

Company	Share premium	Capital reserve	Special reserve	Accumulated loss	Total
At 7 October 2014 (date of incorporation)	–	–	–	–	–
Changes in equity for 2015:					
Total comprehensive income for the year	–	–	–	–	–
Balance at 31 March 2015 and 1 April 2015	–	–	–	–	–
Changes in equity for 2016:					
Shares issued on Reorganisation	–	–	143,726,131	–	143,726,131
Shares issued under share offer	84,000,000	–	–	–	84,000,000
Shares issue expenses	(5,052,399)	–	–	–	(5,052,399)
Deemed capital contribution	–	9,669,301	–	–	9,669,301
Total comprehensive expenses for the year	–	–	–	(9,365,057)	(9,365,057)
Balance at 31 March 2016	78,947,601	9,669,301	143,726,131	(9,365,057)	222,977,976

(b) Special reserve

Special reserve represents the difference between the equity of Hong Kong Wan Wai Company Limited acquired pursuant to the Reorganisation on 9 May 2015 over the nominal value of the Company’s shares issued in exchange therefore.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

21. CAPITAL, RESERVES AND DIVIDENDS – CONTINUED

(c) Share capital

	Number of ordinary shares	Nominal amount HK\$
Ordinary shares of HK\$0.01 each authorised:		
At 7 October 2014 (date of incorporation) and at 31 March 2015	38,000,000	380,000
At 1 April 2015	38,000,000	380,000
Increase in authorised share capital (note (iii))	1,962,000,000	19,620,000
At 31 March 2016	2,000,000,000	20,000,000
Ordinary shares, issued and fully paid:		
At 7 October 2014 (date of incorporation) (note (i))	1	–
Issuance of new shares (note (ii))	9,999	–
At 31 March 2015	10,000	–
At 1 April 2015	10,000	–
Shares issued on Reorganisation (note (iii))	699,990,000	7,000,000
Shares issued under share offer (note (iv))	100,000,000	1,000,000
At 31 March 2016	800,000,000	8,000,000

Notes:

- (i) The Company was incorporated in the Cayman Islands on 7 October 2014, with an authorised share capital of HK\$380,000 divided into 38,000,000 of a par value of HK\$0.01 each. At the time of its incorporation, the Company issued 1 ordinary share to the subscriber, which was subsequently transferred to Suntecli Company Limited (“Suntecli”) on the 7 October 2014.
- (ii) On 5 November 2014, 5,681, 2,364, 1,939 and 15 nil-paid shares were allotted and issued to Suntecli, Samwood Global Limited (“Samwood”), Mr. Leung Man Lun Stephen (“Mr. Leung”) and Ms. Yeung Siu Lai Shirley (“Ms. Yeung”) respectively.
- (iii) On 9 May 2015, pursuant to the written resolution of shareholders of the Company, the authorised share capital was increased to HK\$20,000,000 divided into 2,000,000,000 ordinary shares of a par value of HK\$0.01 each. On 9 May 2015, pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Hong Kong Wan Wai Company Limited from Suntecli, Samwood, Mr. Leung and Ms. Yeung, the 5,682, 2,364, 1,939 and 15 nil paid shares then held by Suntecli, Samwood, Mr. Leung and Ms. Yeung respectively were credited as fully paid at par, and 397,734,318, 165,477,636, 135,728,061 and 1,049,985 shares, all credited as fully paid at par, were allotted and issued to Suntecli, Samwood, Mr. Leung and Ms. Yeung respectively.
- (vi) On 11 August 2015, the Company issued 100,000,000 shares pursuant to its global offering at an offer price of HK\$0.85 per share. As a result, after capitalising approximately HK\$5,052,000 share issuance costs, approximately HK\$79,948,000 were recognised in equity of the consolidated statement of financial position including a credit of approximately HK\$78,948,000 to the share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

21. CAPITAL, RESERVES AND DIVIDENDS – CONTINUED

(d) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders. No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

Merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the Reorganisation.

(iii) Capital reserve

The capital reserve represents the deemed capital contribution from its equity shareholder, Suntecli, Samwood, Mr. Leung and Ms. Yeung, in relation to listing expenses reimbursed to the Company during the year ended 31 March 2016.

(e) Distributability of reserves

At 31 March 2016, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately HK\$79,252,000 (2015: HK\$nil).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its construction business and provide returns for equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes gross amounts due to customers for contract work, trade and other payables, dividend payable, obligations under finance leases and provision for long service payment) less cash and cash equivalents. Adjusted capital comprises all components of equity.

The Group's adjusted net debt-to-capital ratio at 31 March 2016 and 2015 was as follows:

	2016	2015
Total debts	71,928,878	116,083,777
Less: Cash and cash equivalents	(150,291,845)	(74,955,617)
Adjusted net debt	N/A	41,128,160
Total equity	262,275,826	147,094,649
Net debt-to-capital ratio	N/A	28%

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions and counterparties will fail to meet their obligations.

In respect of trade and other receivables, individual credit evaluations are performed as part of the acceptance procedures for new construction contracts. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 50 days from the payment application date or 0 to 60 days from the certificate date. Normally, the Group does not obtain collateral from customers.

At the end of the reporting period, the Group has significant concentration of credit risk in a few customers. In view of their credit standing, good payment record and long established relationships with the Group, management does not consider the Group's credit risk to be significant. At 31 March 2016 and 2015, 46% and 0% of the total trade debtors was due from the Group's largest customer respectively and 65% and 37% of the total trade debtors was due from the Group's five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

(b) Liquidity risk

Individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities as at 31 March 2016 and 2015 of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at 31 March 2016 and 2015) and the earliest date the Group can be required to pay:

	Carrying amount	Total contractual undiscounted cash flow	At 31 March 2016			
			Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Trade and other payables	35,156,111	35,156,111	34,668,477	235,368	252,266	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS – CONTINUED

(b) Liquidity risk – Continued

	Carrying amount	Total contractual undiscounted cash flow	At 31 March 2015			
			Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Trade and other payables	27,518,314	27,518,314	27,128,095	23,750	94,768	271,701
Dividend payable	60,000,000	60,000,000	60,000,000	–	–	–
Obligations under finance leases	12,397,728	12,734,579	9,495,754	3,182,900	55,925	–
	99,916,042	100,252,893	96,623,849	3,206,650	150,693	271,701

(c) Interest rate risk

At 31 March 2016 and 2015, the Group did not hold any assets and liabilities which are exposed to significant interest rate risk.

(d) Foreign currency risk

The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in Hong Kong Dollars.

(e) Fair values measurement

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 March 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

23. COMMITMENTS

- (a) Capital commitments outstanding at 31 March 2016 and 2015 not provided for in the consolidated financial statement were as follows:

	2016	2015
Contracted for	80,500	247,200

- (b) At 31 March 2016 and 2015, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016	2015
Within 1 year	1,777,700	1,792,700
After 1 year but within 5 years	–	1,470,000
	1,777,700	3,262,700

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of two years, with an option to renew the lease when all terms are renegotiated. None of lease includes contingent rentals.

24. MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 March 2016, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationships with the Group
Chung Hang Enterprises Holdings Limited	A related company owned by certain directors of the Company
Chung Wah Investment Company Limited	A related company owned by certain directors of the Company
Wan Kei (Macau) Civil And Foundation Construction Company Limited	A private company owned by certain directors of the Company prior to 5 December 2014

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group entered into the following material related parties transactions during the year:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

24. MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

	2016	2015
Lease of properties from		
– Chung Hang Enterprises Holdings Limited	624,000	618,000
– Chung Wah Investment Company Limited	1,140,000	1,140,000
	1,764,000	1,758,000
Machinery rental income from		
– Wan Kei (Macau) Civil And Foundation Construction Company Limited	–	1,019,662

Note: The directors of the Company are of opinion that the above transactions were entered into in the normal course of business. The related party transactions in respect of rental expenses paid to a related company constitute connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

(a) Transaction with key management personnel

(i) Key management personnel remuneration

Remuneration of key management personnel, including amounts paid to the Directors as disclosed in note 9 and certain of the highest paid employees and senior management as disclosed in note 10, is as follows:

	2016	2015
Short-term employee benefits	10,933,390	10,250,385
Post-employment benefits	72,000	70,000
	11,005,390	10,320,385

Total remuneration is included in “staff costs” (see note 7(b)).

(ii) Other related party transaction

During the year ended 31 March 2015, the Group acquired a subsidiary from two directors of the Group as detailed in note 25.

(b) Guarantee from related parties

At 31 March 2015, obligations under finance leases of HK\$2,716,593 were guaranteed by Mr. Lau Woon Si.

At 31 March 2015, obligations under finance leases of HK\$385,978 were guaranteed by Mr. Fong Hon Hung.

At 31 March 2015, obligations under finance leases of HK\$9,033,492 were guaranteed by Mr. Lau Chi Hing and Mr. Lau Woon Si.

At 31 March 2015, obligations under finance leases of HK\$261,665 were guaranteed by Mr. Leung Man Lun Stephen.

The directors of the Company confirmed that all of the outstanding guarantees above released before the listing of the Company's shares on the Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

25. ACQUISITION OF A SUBSIDIARY

On 5 December 2014, the Group acquired a 100% equity interest in Wan Kei (Macau) Civil And Foundation Construction Company Limited ("Wan Kei (Macau)"), which is engaged in the construction site foundation engineering and bore pile pre-drilling works in Macau, from two directors, Mr. Fong Hon Hung and Mr. Lau Chi Hing at a total consideration of HK\$8,106,428. The purchase consideration for the acquisition was in the form of cash and was fully paid by the Group.

The acquisition of Wan Kei (Macau) was made with the aims to enhance the Group's capabilities to act as subcontractor for projects in Macau.

The following table summarises the consideration paid for Wan Kei (Macau), the fair value of assets acquired, liabilities assumed at the date of acquisition.

	2015
Cash consideration	8,106,428
Recognised amounts of identifiable assets acquired and liabilities assumed	
Gross amounts due from customers for contract work	1,912,997
Trade and other receivables	5,643,840
Amounts due from shareholders	217,574
Cash and cash equivalents	14,930,069
Total identifiable assets acquired	22,704,480
Trade and other payables	(903,869)
Amount due to a related company	(10,988,775)
Tax payable	(2,705,408)
Total identifiable liabilities assumed	(14,598,052)
Total identifiable net assets acquired	8,106,428

For the period from 5 December 2014 to 31 March 2015, Wan Kei (Macau) contributed no revenue and loss of HK\$201,391 to the Group's results. If the acquisition had occurred on 1 April 2014, management estimates that combined revenue would have been HK\$421,585,899 and combined profit for the year would have been HK\$67,693,940. In determining these amounts, management has assumed that the fair value adjustments determined by the independent valuation that arose on the acquisition date would have been the same if the acquisition had occurred on 1 April 2014.

Acquisition-related costs of HK\$150,741 have been charged to general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2015.

Analysis of net inflow of cash and cash equivalents in respect of acquisition of Wan Kei (Macau):

	2015
Total consideration, satisfied by cash	8,106,428
Less: cash and cash equivalents acquired	(14,930,069)
Net cash inflow arising from acquisition of Wan Kei (Macau)	(6,823,641)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

26. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	2016	2015
Non-current assets		
Investment in subsidiaries	150,726,131	–
	150,726,131	–
Current assets		
Prepayments and other receivables	140,641	100
Amounts due from subsidiaries	22,811,135	–
Cash and cash equivalents	71,674,656	–
	94,626,432	100
Current liability		
Amount due to a subsidiary	14,374,587	–
	14,374,587	–
Net current assets	80,251,845	–
NET ASSETS	230,977,976	100
Capital and reserves		
Share capital	8,000,000	100
Reserves (note 21(a))	222,977,976	–
TOTAL EQUITY	230,977,976	100

Approved and authorised for issue by the Board of Directors on 29 June 2016.

Lau Woon Si
Director

Fong Hon Hung
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in HK Dollars)

27. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2016

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 March 2016 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

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

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

RESULTS	2016 HK\$	2015 HK\$	2014 HK\$	2013 HK\$
Total turnover	369,569,772	408,127,724	325,454,623	255,111,529
Profit before taxation	32,881,714	76,756,078	47,279,534	47,559,517
Income tax	(7,317,439)	(14,449,841)	(7,785,708)	(7,813,611)
Profit and total comprehensive income for the year	25,564,275	62,306,237	39,493,826	39,745,906
Profit attributable to equity shareholders of the Company	25,573,227	61,999,801	39,367,398	39,702,408
ASSETS AND LIABILITIES				
Total assets	341,748,467	272,320,210	249,962,520	188,546,830
Total liabilities	(79,472,641)	(125,225,561)	(105,174,108)	(78,752,244)
Net assets	262,275,826	147,094,649	144,788,412	109,794,586

This report is published in both English and Chinese languages. Should there be any inconsistency between the Chinese and English versions, the English version shall prevail.