# GOLD-FINANCE HOLDINGS LIMITED

(formerly known as ''Nga Chun Holdings Company Limited'')
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1462

ANNUAL REPORT 2015/16

# CONTENTS

# CORPORATE INFORMATION

**Registered Office**

Clifton House
75 Fort Street, PO Box 1350
Grand Cayman, KY1-1108,
Cayman Islands

**Office and Principal Place of Business**

Unit B, 10/F.,
Summit Building, 30 Man Yue Street,
Hung Hom,
Kowloon, Hong Kong.

**Board of Directors**

***Executive Directors***

Mr. Wei Jie *(appointed as an Executive Director on 3 February 2016 and appointed as the Chairman and Chief Executive Officer on 16 February 2016)*
Ms. Xu Li Yun *(appointed on 3 February 2016)*
Mr. Jiang Jun Wei *(appointed on 3 February 2016)*
Ms. Fan Qi *(appointed on 3 February 2016)*
Mr. Fung Chi Wing *(Chairman, resigned on 16 February 2016)*
Ms. Fung Mei Lan *(resigned on 16 February 2016)*
Ir Wong Chi Wai *(Chief Executive Officer, resigned on 16 February 2016)*

***Independent Non-Executive Directors***

Mr. Niu Zhongjie *(appointed on 3 February 2016)*
Mr. Cheung Ying Kwan *(appointed on 3 February 2016)*
Mr. Chen Zhao *(appointed on 3 February 2016)*
Ir Ho Pun Hing *(resigned on 16 February 2016)*
Ir Szeto Ka Sing *(resigned on 16 February 2016)*
Dr. Leung Shiu Ki Albert *(resigned on 16 February 2016)*

**Audit Committee**

Mr. Cheung Ying Kwan *(Chairman, appointed on 16 February 2016)*
Mr. Niu Zhongjie *(appointed on 16 February 2016)*
Mr. Chen Zhao *(appointed on 16 February 2016)*
Dr. Leung Shiu Ki Albert *(resigned on 16 February 2016)*
Ir Ho Pun Hing *(resigned on 16 February 2016)*
Ir Szeto Ka Sing *(resigned on 16 February 2016)*

**Remuneration Committee**

Mr. Niu Zhongjie *(Chairman, appointed on 16 February 2016)*
Mr. Wei Jie *(appointed on 16 February 2016)*
Mr. Cheung Ying Kwan *(appointed on 16 February 2016)*
Ir Ho Pun Hing *(resigned on 16 February 2016)*
Dr. Leung Shiu Ki Albert *(resigned on 16 February 2016)*
Ir Wong Chi Wai *(resigned on 16 February 2016)*

| | |
|---|---|
| **Nomination Committee** | Mr. Wei Jie *(Chairman, appointed on 16 February 2016)*<br>Mr. Niu Zhongjie *(appointed on 16 February 2016)*<br>Mr. Chen Zhao *(appointed on 16 February 2016)*<br>Mr. Fung Chi Wing *(resigned on 16 February 2016)*<br>Dr. Leung Shiu Ki Albert *(resigned on 16 February 2016)*<br>Ir Ho Pun Hing *(resigned on 16 February 2016)* |
| **Authorised Representatives** | Mr. Wei Jie *(appointed on 16 February 2016)*<br>Mr. Wong Kam Ting, *CPA (appointed on 4 March 2016)*<br>Mr. Fung Chi Wing *(resigned on 16 February 2016)*<br>Mr. Kung Hei Ning, *CPA (resigned on 4 March 2016)* |
| **Company Secretary** | Mr. Wong Kam Ting, *CPA (appointed on 4 March 2016)*<br>Mr. Kung Hei Ning, *CPA (resigned on 4 March 2016)* |
| **Legal Advisor** | *As to Hong Kong Law*<br>Howse Williams Bowers |
| **Auditors** | Ernst & Young |
| **Hong Kong Branch Share Registrar and Transfer Office** | Tricor Investor Services Limited<br>Level 22, Hopewell Centre<br>183 Queen's Road East<br>Hong Kong |
| **Cayman Islands Principal Share Registrar and Transfer Office** | Appleby Trust (Cayman) Ltd.<br>Clifton House<br>75 Fort Street, PO Box 1350<br>Grand Cayman KY1-1108<br>Cayman Islands |
| **Share Information** | Place of listing: Main Board of The Stock Exchange of Hong Kong Limited<br>Stock code: 1462<br>Board lot size: 4,000 shares |
| **Website** | www.gold-finance-gp.com.hk |

# FIVE YEAR FINANCIAL SUMMARY

## RESULTS

*For the year ended 31 March*

| | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **591,999** | 684,578 | 581,494 | 424,411 | 339,544 |
| Profit before tax | **24,451** | 48,067 | 55,697 | 48,782 | 29,858 |
| Income tax expense | **(5,196)** | (9,540) | (10,419) | (8,091) | (4,947) |
| Profit and total comprehensive income for the year | **19,255** | 38,527 | 45,278 | 40,691 | 24,911 |

## ASSETS AND LIABILITIES

*As at 31 March*

| | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Total assets | **361,294** | 373,399 | 284,046 | 198,715 | 122,759 |
| Total liabilities | **(107,297)** | (126,657) | (144,541) | (104,488) | (69,223) |
| Total equity | **253,997** | 246,742 | 139,505 | 94,227 | 53,536 |

## FINANCIAL HIGHLIGHTS

| | 2016 | 2015 |
|---|---|---|
| Financial Performance (HK$'000) | | |
| Revenue | **591,999** | 684,578 |
| Gross profit | **45,249** | 73,654 |
| Gross profit margin | **7.6%** | 10.8% |
| Profit attributable to equity holders of the parent | **19,255** | 38,527 |
| Financial Position (HK$'000) | | |
| Cash and cash equivalents | **79,175** | 156,755 |
| Total assets | **361,294** | 373,399 |
| Total liabilities | **107,297** | 126,657 |
| Net assets | **253,997** | 246,742 |
| Current ratio *(Note 1)* | **2.66 times** | 2.37 times |
| Gearing ratio *(Note 2)* | **0%** | 14.6% |
| Return on equity *(Note 3)* | **7.6%** | 15.6% |

*Notes:*

1. Current ratio is calculated by dividing current assets by current liabilities as at the end of the reporting period.

2. Gearing ratio is calculated by dividing total interest-bearing bank loans by the total equity as at the end of the reporting period and multiplied by 100%.

3. The calculation of return on equity is based on the profit attributable to equity holders of the parent during the year divided by the ending equity attributable to equity holders of the parent as at the end of the reporting period and multiplied by 100%.

## TO OUR SHAREHOLDERS

On behalf of the board of directors (the "Board"), I am pleased to present the annual results of Gold-Finance Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2016 (the "Reporting Period"). I am honored to take on the role as the Chairman of the Board on 16 February 2016, and I am deeply mindful of the great responsibilities I will undertake.

During the Reporting Period, the Group recorded turnover of approximately HK$592.0 million, down by 13.5% from approximately HK$684.6 million for the year ended 31 March 2015. The decrease was mainly due to the combined effect of:

(i) Higher revenue of approximately HK$47.2 million recognised for a one-off project in the private sector which had achieved significant progress during the year ended 31 March 2016 while this project was at preliminary stage and only approximately HK$3.1 million was recognised as revenue in the previous year; and

(ii) Lower revenue of approximately HK$13.4 million recognised for two one-off projects in the public sector which were substantially completed in the year ended 31 March 2016 while approximately HK$142.4 million was recognised as revenue in the previous year.

During the Reporting Period, the Group recorded a gross profit of approximately HK$45.2 million. The gross profit margin decreased from approximately 10.8% for the year ended 31 March 2015 to approximately 7.6% for the Reporting Period. The decrease was mainly due to a one-off project in the public sector in Tai Lam and a one-off project in the private sector for commercial buildings which recorded negative gross profit margins due to the incurrence of additional contract costs for the two above-mentioned projects for the year ended 31 March 2016.

The outlook for the building services ("Building Services") industry in Hong Kong looks bright. According to the Hong Kong 2016-17 Budget, the Hong Kong Government will allocate approximately HK$79 billion to capital works. With a number of projects at their construction peaks, capital works expenditure is expected to remain at relatively high levels in the next few years. We believe that there will be more opportunities for the Building Services business in both private and public sectors in the future.

We shall continue to play an active role in seeking opportunities in the Building Services industry in Hong Kong for growth and contemplating the possibility of expanding its principal business into Mainland China to enhance value for shareholders of the Company. On one hand, we shall remain focused on undertaking engineering works involving (i) electrical installation; (ii) air-conditioning installation works; and (iii) fire services installation works. On the other hand, the Board will assess the market situation with an aim of expanding our business, identify and consider any investment opportunities that are in the interest of the Company and the shareholders as a whole and diversify the risks of investment and business development.

I would like to take this opportunity to express my thanks and gratitude to our Group's management and staff who have dedicated their endless efforts and devoted services, and to our Shareholders, suppliers, customers and other professional parties for their continuous support.

**Wei Jie**
*Chairman*

Hong Kong, 20 June 2016

# QUALIFICATIONS AND LICENSES

The following table summarises the details of the major qualifications and licences obtained by the Group as at 31 March 2016.

| **Government and related organisations** | **Category** |
|---|---|
| Electrical and Mechanical Services Department | Registered Electrical Contractor |
| Building Authority | Registered Specialist Contractor (Ventilation) |
| Fire Services Department | Registered Fire Service Installation Contractor — Classes 1 & 2 |
| Works Branch, Development Bureau | Electrical Installation — Approved Suppliers of Materials & Specialist Contractors — Group III |
| Works Branch, Development Bureau | Air-conditioning Installation — Approved Suppliers of Materials & Specialist Contractors — Group II (probationary) |
| Works Branch, Development Bureau | Fire Service Installation — Approved Suppliers of Materials & Specialist Contractors — Group I |
| Hong Kong Housing Authority | Housing Authority List of Electrical Contractors (probationary) |

## BUSINESS REVIEW

### Overview

The Group is principally engaged in the provision of Building Services in Hong Kong as a subcontractor.

The engineering works undertaken by the Group are mainly related to (i) electrical installation works; (ii) air-conditioning installation works; and (iii) fire services installation works. The Group undertakes engineering projects in both public and private sectors, which are mainly building related projects including (i) new building development; and (ii) existing building renovation. All of the Group's revenues were derived in Hong Kong.

As at 31 March 2016, the Group had over 60 one-off and retainer projects in progress, with a total estimated outstanding contract sum and work order value of approximately HK$1,494.4 million. The Group's business is undertaken by an operating subsidiary, Fungs E & M Engineering Company Limited ("Fungs E & M"), a Building Services engineering specialist in various building works in both public and private sectors in Hong Kong. Since 1 April 2016 and up to the date of this report, the Group has been awarded with new contracts with an aggregate estimated contract sum of approximately HK$110.6 million.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the year ended 31 March 2016 was approximately HK$592.0 million, representing a decrease of approximately 13.5% from approximately HK$684.6 million in the previous year. The decrease was mainly due to the combined effect of:

(i) Higher revenue of approximately HK$47.2 million recognised for a one-off project in the private sector which had achieved significant progress during the year ended 31 March 2016 while this project was at preliminary stage and only approximately HK$3.1 million was recognised as revenue in the previous year; and

(ii) Lower revenue of approximately HK$13.4 million recognised for two one-off projects in the public sector which were substantially completed in the year ended 31 March 2016 while approximately HK$142.4 million was recognised as revenue in the previous year.

### Gross profit margin

During the year ended 31 March 2016, the Group recorded a gross profit of approximately HK$45.2 million. The gross profit margin decreased from approximately 10.8% for the year ended 31 March 2015 to approximately 7.6% for the year ended 31 March 2016. The decrease was mainly due to a one-off project in the public sector in Tai Lam and a one-off project in the private sector for commercial buildings which recorded negative gross profit margins due to the incurrence of additional contract costs for the two above-mentioned projects for the year ended 31 March 2016.

### Other income and gains

Other income and gains increased by approximately 191.4% from approximately HK$1.3 million from the previous year to approximately HK$3.8 million for the year ended 31 March 2016. The increase was mainly due to the profit on disposal of fixed assets of HK$0.8 million and the increase in interest income from HK$0.6 million to HK$1.4 million.

### Administrative expenses

The Group's administrative expenses for the year ended 31 March 2016 were approximately HK$21.4 million, representing a decrease of 26.9% from approximately HK$29.2 million in the previous year. The decrease was mainly attributable to the combined effect of (i) the recognition of one-off listing expenses of approximately HK$12.1 million in the previous year; and (ii) the increase in the legal and professional fees of approximately HK$2.9 million incurred in relation to the change of the Company's controlling shareholder during the Reporting Period (the "Legal and Professional Fees").

### Net profit after tax

For the year ended 31 March 2016, the Group recorded net profit of approximately HK$19.3 million, a decrease of approximately 50.0% as compared to the net profit of approximately HK$38.5 million for the previous year. This was mainly due to the combined effects of the decrease in gross profit margin and the Legal and Professional Fees.

### Liquidity and financial resources

The Group has funded its liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from operating activities and proceeds received from the listing of the Company's shares (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 October 2014.

The total interest-bearing bank borrowings of the Group decreased from approximately HK$36.1 million as at 31 March 2015 to nil as at 31 March 2016. All borrowings were repayable on demand and denominated in Hong Kong dollars. The interest rates of the Group's interest-bearing bank borrowings are primarily re-priced every month based on the change of the Hong Kong Inter-bank Offered Rate. The Group currently does not have an interest rate hedging policy and the Group monitors interest risk continuously and considers hedging any excessive risk when necessary. As at 31 March 2016, the total banking facilities of the Group amounted to approximately HK$40.0 million (31 March 2015: approximately HK$61.4 million).

As of 31 March 2016, the Group had cash and cash equivalents of approximately HK$79.2 million, representing a decrease of 49.5% from approximately HK$156.8 million as of 31 March 2015. The Group did not have pledged deposits other than a pledged deposit for a life insurance product with a carrying amount of approximately HK$6.3 million and HK$6.1 million as at 31 March 2016 and 31 March 2015, respectively. The decrease in cash and cash equivalents during the year ended 31 March 2016 was mainly due to the combined effects of (i) net cash outflow from operating activities of approximately HK$38.3 million; (ii) the proceeds received from a time deposit with original maturity of more than three months of approximately HK$14.9 million; (iii) the repayment of interest bearing bank loans of approximately HK$36.1 million; and (iv) payment of 2015 final dividend of approximately HK$12 million.

Gearing ratio is calculated based on the amount of total interest-bearing bank loans divided by the total equity. Decrease in gearing ratio from 14.6% as at 31 March 2015 to 0% as at 31 March 2016 was mainly due to the repayment of interest-bearing bank loans during the year ended 31 March 2016.

As at 31 March 2016, the Group had aggregate banking facilities of approximately HK$40.0 million, which were not utilised by the Group. As at 31 March 2016, the banking facilities were secured by (i) legal charge over a building of the Group with carrying amount of approximately HK$47.4 million; and (ii) pledged deposit for a life insurance product with a carrying amount of approximately HK$6.3 million.

### Contingent liabilities

Details of the Group's contingent liabilities are set out in note 26 to the financial statements.

### Capital commitments

Details of the Group's capital commitments are set out in note 28 to the financial statements.

### Capital expenditures

For the year ended 31 March 2016, the Group purchased property, plant and equipment of approximately HK$10.2 million (2015: approximately HK$4.9 million).

## PROSPECTS

According to the Hong Kong 2016–17 Budget, the Hong Kong Government will allocate approximately HK$79 billion to capital works. With a number of projects at their construction peaks, capital works expenditure is expected to remain at relatively high levels in the next few years.

Moreover, the Building Services industry is steering towards designing and installing more complex and more energy efficient systems for buildings in Hong Kong. The public's increasing awareness of energy efficiency, indoor air quality and sustainability have triggered contractors in the Building Services industry to construct better heating, ventilation and air-conditioning systems. Therefore, the design and installation work processes that go into the servicing of intelligent buildings are more complicated.

In view of the aforesaid increasing public expenditure on capital works and the market development, the directors of the Company (the "Directors") believe that there will be more opportunities for our Building Services business in both private and public sectors in the future. Having considered the Group's solid experience in the Building Services industry, possession of the requisite licences and registrations for undertaking engineering projects in both private and public sectors, the Directors are of the view that the Group is well positioned to capture the emerging business opportunities.

## FOREIGN EXCHANGE RISK

Since the Group operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollars, and the Group's assets and liabilities are primarily denominated in Hong Kong dollars, the Directors believe that the Group's risk in foreign exchange 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 Reporting Period.

## MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Reporting Period, there was no acquisition or disposal of subsidiaries and associated companies by the Company.

## SIGNIFICANT INVESTMENTS

During the Reporting Period, the Company did not hold any significant investment.

## STAFF AND REMUNERATION POLICY

As of 31 March 2016, the Group employed 65 employees in Hong Kong. The Group reviewed Directors and employees' remuneration from time to time and salary adjustment was normally made on an annual basis with reference to their performance and work experience and with reference to the prevailing market conditions. Staff benefits include mandatory provident fund and training programs.

The total remuneration cost incurred by the Group for the Reporting Period was approximately HK$47.5 million (2015: approximately HK$39.2 million).

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Wei Jie**, aged 35, completed a three-year distance learning course offered by Zhejiang University (浙江大學) and obtained his undergraduate degree in law therefrom in 2005. Mr. Wei then obtained his master degree in law from Zhejiang University Guanghua Law School (浙江大學光華法學院) in June 2013. Mr. Wei started his legal training in 2001 as a legal assistant in Zhejiang Yuehanlin Law Firm (浙江越翰林律師事務所) and was later retained and worked as an attorney in the same firm until 2007. Mr. Wei is the chairman and chief executive officer of Gold-Finance (Holding) Group Co. Ltd. Mr. Wei joined Hangzhou Jinzhicheng Wealth Management Consulting Co. Ltd.# (杭州金至誠理財諮詢有限公司) ("Jinzhicheng") in May 2009. Mr. Wei has taken part and led the design of many finance management projects. These projects include large government related products such as "金浙一號" and "金蘇一號" and real estate type products like Lingshan Fund. Since 2009, Mr. Wei promoted and founded a national high-end financial forum "Xihu Lunjin" (西湖論金) where many well-known economists, economic strategists and senior managers gather and discuss about the economy and asset management. Mr. Wei was appointed as an executive Director with effect from 3 February 2016, and as Chairman of the board of Directors and Chief Executive Officer with effect from 16 February 2016.

**Ms. Xu Li Yun**, aged 35, obtained her bachelor's degree in financial accounting from Shanghai University of Finance and Economics (上海財經大學) on 30 December 2005 (through selfstudy examination of higher education). Ms. Xu has been the general manager of finance department of Zhejiang Chengze Jinkai Investment Management Co. Ltd.# (浙江誠澤金開投資管理有限公司) ("Chengze Jinkai") since November 2012. She is in charge of establishing and improving the financial control system and making strategic suggestions. From April 2005 to March 2007, Ms. Xu worked for Taiying (Shanghai) International Trade Co. Ltd.# (泰映(上海)國際貿易有限公司) and from May 2007 to June 2011, Ms. Xu worked for Zhongda Electronic Communication Co. Ltd.# (中達電通股份有限公司). Ms. Xu served as financial executive and deputy financial controller of Chengze Jinkai from July 2011 to March 2012 and from April 2012 to October 2012, respectively. Ms. Xu is the cousin of Mr. Wei. Ms. Xu was appointed as executive Director with effect from 3 February 2016.

**Mr. Jiang Junwei**, aged 31, obtained his bachelor's degree in machine design and automation from Shenzhen University (深圳大學) on 28 July 2007 and master of science degree in financial engineering from Polytechnic Institute of New York University, United States, on 18 May 2010. Mr. Jiang has been the general manager of the Shenzhen Product Centre of Zhejiang Chengze Jinkai Investment Management Co. Ltd.# (浙江誠澤金開投資管理有限公司) since April 2014. From September 2010 to April 2014, Mr. Jiang worked for China Everbright Securities (HK) Limited. Mr. Jiang was appointed as executive Director with effect from 3 February 2016.

**Ms. Fan Qi**, aged 31, obtained her bachelor's degree in management from Hangzhou Dianzi University (杭州電子科技大學) in June 2007. Ms. Fan is a registered accountant in the People's Republic of China. Ms. Fan joined Zhejiang Chengze Jinkai Investment Management Co. Ltd.# (浙江誠澤金開投資管理有限公司) in February 2014. Ms. Fan worked for Pan-China Certified Public Accountants as Senior Manager from July 2007 to June 2013, and a subsidiary of Alibaba Group as the audit supervisor from August 2013 to February 2014. Ms. Fan was appointed as executive Director with effect from 3 February 2016.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Niu Zhongjie**, aged 47, obtained a bachelor degree in business administration from Northeast Missouri State University in May 1994. He also obtained a master degree in business administration from the University of Hong Kong in December 1999. Mr. Niu has over 10 years of experience in corporate finance industry. He is currently an executive director of Vision Finance International Company Limited. Mr. Niu has also been an executive director of ASR Logistics Holdings Limited (stock code: 1803), a company listed on the Main Board of the Stock Exchange since 23 April 2015. He was appointed as an independent non-executive Director with effect from 3 February 2016.

**Mr. Cheung Ying Kwan**, aged 56, has over 21 years of experience in financial management. Mr. Cheung is currently the company secretary of China Metal Resources Utilisation Limited (stock code: 1636), a company listed on the Main Board of the Stock Exchange. From March 2006 to August 2013, Mr. Cheung was the financial controller of Gushan Environmental Energy Limited, the American depository shares of which were listed on the New York Stock Exchange from December 2007 to October 2012. From April 2001 to March 2006, Mr. Cheung also served as the qualified accountant and company secretary of Goldigit Atom-tech Holdings Limited (now known as Jinchuan Group International Resources Co. Ltd. (stock code: 2362)), a company listed on the Main Board of the Stock Exchange, and as the authorised representative of that company from December 2002 to March 2006. From November 2005 to May 2013, Mr. Cheung was an independent non-executive director of Auto Italia Holdings Limited (stock code: 0720), a company listed on the Main Board of the Stock Exchange. Mr. Cheung has been an independent non-executive director of Tian Shan Development (Holding) Limited (stock code: 2118), a company listed on the Main Board of the Stock Exchange, since June 2010 and Beijing Chunlizhengda Medical Instruments Co., Ltd. (stock code: 1858), a company listed on the Main Board of the Stock Exchange, since March 2015. Mr. Cheung was admitted as a fellow member of the Association of Chartered Certified Accountants in November 2000 and an associate member of the Hong Kong Institute of Certified Public Accountants in April 1995. Mr. Cheung obtained a diploma in fabric manufacturing from the Hong Kong Polytechnic in September 1981. He was appointed as an independent non-executive Director with effect from 3 February 2016.

**Mr. Chen Zhao**, aged 43, obtained his Bachelor of arts degree in economics and doctor of Philosophy degree in economics, both from Fudan University in 1996 and 2001 respectively. Since November 2007, Mr. Chen has been a professor in Fudan University and he is also the deputy director of China Center for Economic Studies in Fudan University. He was appointed as an independent non-executive Director with effect from 3 February 2016.

## FINANCIAL CONTROLLER AND COMPANY SECRETARY

**Mr. Wong Kam Ting** ("Mr. Wong") has been appointed as the Company's company secretary, the financial controller, the authorised representative and the process agent with effect from 4 March 2016. Mr. Wong, aged 31, has seven years of experience in the field of auditing, equity research and investment. Mr. Wong began his career in PricewaterhouseCoopers as an auditor. Prior to joining the Company, Mr. Wong served as a research analyst in various investment banks. Mr. Wong received his bachelor's degree in Business Administration with a major in Professional Accountancy from The Chinese University of Hong Kong in 2008. He is also a member of the Hong Kong Institute of Certified Public Accountants.



The Company has adopted the requirements of the code provisions of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Group has complied with all the applicable code provisions under the Corporate Governance Code from the date of Listing on 16 October 2014. Key corporate governance principles and practices of the Company are summarised below.

## BOARD

In compliance with rules 3.10(1) and 3.10A of the Listing Rules, the Board comprises three executive Directors and three independent non-executive Directors ("INEDs") from the date of Listing on 16 October 2014 to 3 February 2016, seven executive Directors and six INEDs from 3 February 2016 to 16 February 2016 and four executive Directors and three INEDs from 16 February 2016 to the date of this report. The number of INEDs 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 INEDs must possess appropriate professional qualification or accounting or related financial management expertise. In compliance with the Corporate Governance Code, the INEDs are expressly identified in all corporate communications that disclose the names of the Directors.

Due to the change of the Company's controlling shareholder during the Reporting Period, all the former Directors resigned from their offices on 16 February 2016.

The Company has received from each of its INEDs an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Group considers all INEDs to be independent under the Listing Rules. Save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this report, there is no financial, business, family or other material/relevant relationship among the members of the Board.

The Board currently comprises seven members, as detailed below:

| **Executive Directors** | **Independent Non-Executive Directors** |
|---|---|
| Mr. Wei Jie *(Chairman and Chief Executive Officer)* | Mr. Niu Zhongjie |
| Ms. Xu Li Yun | Mr. Cheung Ying Kwan |
| Mr. Jiang Jun Wei | Mr. Chen Zhao |
| Ms. Fan Qi | |

The biographical details of the Directors are set out in pages 11 to 12 of this report.

Two executive Directors, namely Mr. Wei Jie and Ms. Xu Li Yun, are cousins. Ms. Xu Li Yun is the cousin of Mr. Wei Jie.

## BOARD RESPONSIBILITIES AND DELEGATION

The Board is responsible for the overall leadership of the Group, oversees the strategic decisions and monitors business and performance of the Group. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the Corporate Governance Code.

During the Reporting Period, the Board has monitored the Company's corporate governance policies and practices, the training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules and the written guidelines governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The code provision A.2.1 of the Corporate Governance Code requires that the roles of Chairman and Chief Executive Officer should be separate and not be performed by the same individual.

From 1 April 2015 to 16 February 2016, the positions of Chairman and Chief Executive Officer were held by Mr. Fung Chi Wing and Ir Wong Chi Wai, respectively. The Chairman provides leadership and is responsible for chairing the meetings, managing the operations of the Board, and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. The Chief Executive Officer is responsible for running the Company's businesses and implementing the Group's strategic plans and business goals. On 16 February 2016, Mr. Fung Chi Wing and Ir Wong Chi Wai resigned as Chairman and Chief Executive Officer of the Company, respectively and Mr. Wei Jie was appointed as Chairman and Chief Executive Officer of the Company. This constitutes a deviation from the code provision A.2.1. The Board considers that the said structure will not impair the balance of power and authority between the Board and the management of the business especially given that the leadership of the Board is distinct from the executive responsibilities of running the business operations, there is a strong and independent non-executive element in the Board and a clear division of responsibilities for running the business of the Company. Further, the said structure helps to maintain the continuity of the Company's policies and the stability of the Company's operation as well as to enhance the management of the Company.

## DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

According to the code provision A.6.5 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

The Directors confirmed that they have complied with the code provision A.6.5 of Corporate Governance Code on Directors' training and they have provided a record of trainings they attended for the financial year ended 31 March 2016 to the Company.

A summary of continuous professional development each Director participated in during the financial year ended 31 March 2016, according to the records provided, is set out below:

| **Name of Directors** | **Attending internal briefings or trainings, participating seminars or reviewing materials** |
|---|---|
| **Executive Directors** | |
| Mr. Wei Jie *(appointed on 3 February 2016)* | √ |
| Ms. Xu Li Yun *(appointed on 3 February 2016)* | √ |
| Mr. Jiang Jun Wei *(appointed on 3 February 2016)* | √ |
| Ms. Fan Qi *(appointed on 3 February 2016)* | √ |
| Mr. Fung Chi Wing *(resigned on 16 February 2016)* | √ |
| Ms. Fung Mei Lan *(resigned on 16 February 2016)* | √ |
| Ir Wong Chi Wai *(resigned on 16 February 2016)* | √ |
| **Independent non-executive Directors** | |
| Mr. Niu Zhongjie *(appointed on 3 February 2016)* | √ |
| Mr. Cheung Ying Kwan *(appointed on 3 February 2016)* | √ |
| Mr. Chen Zhao *(appointed on 3 February 2016)* | √ |
| Ir Ho Pun Hing *(resigned on 16 February 2016)* | √ |
| Ir Szeto Ka Sing *(resigned on 16 February 2016)* | √ |
| Dr. Leung Shiu Ki Albert *(resigned on 16 February 2016)* | √ |

All the Directors attended a training session conducted by the Company's legal advisers relating to directors' duties and responsibilities under the Hong Kong Companies Ordinance (Cap. 622), the Listing Rules and other applicable laws and regulations.

## NOMINATION OF DIRECTORS

New Directors recommended by the nomination committee of the Company will be assessed by taking into account criteria such as experience, balance of skills and diversity of perspectives appropriate to the requirements of the business of the Company when considering new Directors appointments.

The Board shall then make recommendations to the Company's shareholders on Directors standing for re-election, providing sufficient biographical details of such Directors to enable shareholders of the Company to make an informed decision on the re-election, and where applicable, nominating appropriate persons to fill causal vacancies or as additions to the Board.

Pursuant to the code provision A.5.6 of the Corporate Governance Code, the Company has adopted a board diversity policy. The Company believes that the diversification of the Board is beneficial for enhancing the performance of the Company. The Company has adopted the board diversity policy pursuant to which that in designing the Board's composition, board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

## APPOINTMENTS, RE-ELECTION AND REMOVAL

For all the former executive Directors and INEDs who served their terms of office during the year ended 31 March 2016, they have entered into service contracts with the Company for a term of three years and two years, respectively commencing on 16 October 2014 and should continue thereafter unless and until terminated by either parties by giving to the other not less than three months' notice in writing. Their terms of office were also subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company (the "Articles").

Under the Articles, one-third of the Directors, must retire and be eligible for re-election at each annual general meeting. The Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as additional Director. Any Director so appointed shall be subject to retirement by rotation.

In accordance with article 108 of the Articles, one-third of the existing Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Pursuant to article 112 of the Articles and the code provision A.4.2 of the Corporate Governance Code, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Therefore, Mr. Wei Jie, Ms. Xu Li Yun, Mr. Jiang Jun Wei, Ms. Fan Qi, Mr. Niu Zhongjie, Mr. Cheung Ying Kwan and Mr. Chen Zhao will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## BOARD AND GENERAL MEETINGS

Under the code provision A.1.1 of the Corporate Governance Code, the Board shall meet regularly and at least four times a year at approximately quarterly intervals. From 1 April 2015 up to the date of this report, seven Board meetings were held to consider and review, among other things, the financial statements for the 6 months ended 30 September 2015 and for the year ended 31 March 2016 and matters concerning corporate governance and management with attendance of individual members as set out below:

| **Attendance** | **Board Meetings Attendance** | **Annual General Meeting Attendance** |
|---|---|---|
| Mr. Fung Chi Wing *(Chairman, resigned on 16 February 2016)* | 4/4 | 1/1 |
| Ms. Fung Mei Lan *(resigned on 16 February 2016)* | 4/4 | 1/1 |
| Ir Wong Chi Wai *(resigned on 16 February 2016)* | 4/4 | 1/1 |
| Ir Ho Pun Hing *(resigned on 16 February 2016)* | 4/4 | 1/1 |
| Ir Szeto Ka Sing *(resigned on 16 February 2016)* | 4/4 | 1/1 |
| Dr. Leung Shiu Ki Albert *(resigned on 16 February 2016)* | 4/4 | 1/1 |
| Mr. Wei Jie *(appointed on 3 February 2016 and appointed as Chairman on 16 February 2016)* | 3/3 | — |
| Ms. Xu Li Yun *(appointed on 3 February 2016)* | 3/3 | — |
| Mr. Jiang Jun Wei *(appointed on 3 February 2016)* | 3/3 | — |
| Ms. Fan Qi *(appointed on 3 February 2016)* | 3/3 | — |
| Mr. Niu Zhongjie *(appointed on 3 February 2016)* | 3/3 | — |
| Mr. Cheung Ying Kwan *(appointed on 3 February 2016)* | 3/3 | — |
| Mr. Chen Zhao *(appointed on 3 February 2016)* | 3/3 | — |

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code as its code of conduct regarding securities transactions by the Directors.

After a specific enquiry by the Group, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code throughout the year ended 31 March 2016.

## COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

In case where the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

## BOARD COMMITTEES

The Board has established a number of functional committees with specific written terms of reference which deal clearly with the committee's authority and duties and require the committees to report back on their decisions or recommendations. The written terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

## AUDIT COMMITTEE

The audit committee of the Company was established on 22 September 2014. Due to the change of the Company's controlling shareholder during the Reporting Period, Dr. Leung Shiu Ki Albert (Chairman), Ir Ho Pun Hing, and Ir Szeto Ka Sing resigned on 16 February 2016 as members of the audit committee. As at the date of this report, members of the audit committee comprise Mr. Cheung Ying Kwan (Chairman), Mr. Niu Zhongjie and Mr. Chen Zhao, all being INEDs. With reference to the terms of reference, the primarily responsibilities of the audit committee are, among others,

1. to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors;

2. to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

3. to develop and implement policy on engaging the external auditors to supply non-audit services;

4. to monitor integrity of the Company's financial statements, annual report and accounts, half-year report and review significant financial reporting judgments contained in them;

5. to review the Company's financial controls, internal control and risk management systems;

6. to review the Group's financial and accounting policies and practices;

7. to review the external auditors' management letter and management's response;

8. to act as the key representative body for overseeing the Company's relations with the external auditors; and

9. to review arrangements employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

During the Reporting Period, and up to the date of this report, the audit committee reviewed with the management the Group's unaudited interim results for the six months ended 30 September 2015 and the audited annual results for the financial year ended 31 March 2016, and discussed internal controls and financial reporting matters. The audit committee also reviewed this report, and confirmed that this report complies with the applicable standard, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the audit committee regarding the selection and appointment of the external auditors. The Board is of the view that the audit committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

During the Reporting Period up to the date of this report, four meetings of audit committee were held with attendance of individual members as set out below:

| **Attendance** | **From 1 April 2015 to date of this report** |
|---|---|
| Dr. Leung Shiu Ki Albert *(Chairman, ceased to be a member on 16 February 2016)* | 2/2 |
| Ir Ho Pun Hing *(ceased to be a member on 16 February 2016)* | 2/2 |
| Ir Szeto Ka Sing *(ceased to be a member on 16 February 2016)* | 2/2 |
| Mr. Cheung Ying Kwan *(Chairman, appointed on 16 February 2016)* | 2/2 |
| Mr. Niu Zhongjie *(appointed as a member on 16 February 2016)* | 2/2 |
| Mr. Chen Zhao *(appointed as a member on 16 February 2016)* | 2/2 |

## REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 22 September 2014. Due to the change of the Company's controlling shareholder during the Reporting Period, Ir Ho Pun Hing (Chairman), Dr. Leung Shiu Ki Albert, and Ir Wong Chi Wai resigned on 16 February 2016 as members of the remuneration committee. As at the date of this report, members of the remuneration committee comprise Mr. Niu Zhongjie (Chairman), Mr. Wei Jie and Mr. Cheung Ying Kwan, with a majority of the members being INEDs.

With reference to the terms of reference, the primarily responsibilities of the remuneration committee include, among others:

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to make recommendations to the Board, on the remuneration packages of individual executive Directors and senior management;

3. to make recommendations to the Board on the remuneration of non-executive Directors;

4. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and no excessive; and

5. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

The Board is of the view that the remuneration committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

From the Reporting Period up to the date of this report, one meeting of the remuneration committee was held during the Reporting Period to review the remuneration policy, the remuneration packages for individual executive Directors, senior management and INEDs and the annual bonus policy. The attendance of individual members in the meeting is set out below:

| **Attendance** | **From 1 April 2015 to date of this report** |
|---|---|
| Ir Ho Pun Hing *(Chairman, ceased to be a member on 16 February 2016)* | — |
| Dr. Leung Shiu Ki Albert *(ceased to be a member on 16 February 2016)* | — |
| Ir Wong Chi Wai *(ceased to be a member on 16 February 2016)* | — |
| Mr. Niu Zhongjie *(Chairman, appointed on 16 February 2016)* | 1/1 |
| Mr. Wei Jie *(appointed as a member on 16 February 2016)* | 1/1 |
| Mr. Cheung Ying Kwan *(appointed as a member on 16 February 2016)* | 1/1 |

Pursuant to the code provision B.1.5 of Corporate Governance Code, the annual remuneration (including bonus) of the members of the senior management of the Group by band for the year ended 31 March 2016 is set out below:

| **Remuneration Band** | **Number of Senior Management** |
|---|---|
| Up to HK$1,000,000 | 1 |
| HK$1,000,001 to HK$5,000,000 | 4 |

## NOMINATION COMMITTEE

The nomination committee of the Company was established on 22 September 2014. Due to the change of the Company's controlling shareholder during the Reporting Period, Mr. Fung Chi Wing (Chairman), Ir Ho Pun Hing and Dr. Leung Shiu Ki Albert resigned on 16 February 2016 as members of the nomination committee. As at the date of this report, members of the nomination committee comprise Mr. Wei Jie (Chairman), Mr. Niu Zhongjie and Mr. Chen Zhao, with a majority of members being INEDs.

With reference to terms of reference, the primary responsibilities of the nomination committee include:

1. to review the structure, size and composition (including experience, skills and knowledge) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and

4. to assess the independence of INEDs.

According to the terms of reference, the nomination committee of the Company is also responsible for reviewing the board diversity policy, developing and reviewing measurable objectives for implementing the policy, and monitoring the progress on achieving these objectives so as to ensure the continued effectiveness of the Board.

The Board is of the view that the nomination committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

From the Reporting Period up to the date of this report, one meeting of the nomination committee was held to review the size, composition and diversity of the Board, the policy for nomination of Directors and the procedures, process and criteria to select and recommend candidates for directorship during the year. The attendance of individual members in the meeting is set out below:

| **Attendance** | **From 1 April 2015 to date of this report** |
|---|---|
| Mr. Fung Chi Wing *(Chairman, ceased to be a member on 16 February 2016)* | — |
| Ir Ho Pun Hing *(ceased to be a member on 16 February 2016)* | — |
| Dr. Leung Shiu Ki Albert *(ceased to be a member on 16 February 2016)* | — |
| Mr. Wei Jie *(Chairman, appointed on 16 February 2016)* | 1/1 |
| Mr. Niu Zhongjie *(appointed as a member on 16 February 2016)* | 1/1 |
| Mr. Chen Zhao *(appointed as a member on 16 February 2016)* | 1/1 |

## INTERNAL CONTROLS

The Board has an overall responsibility for maintaining a sound and effective internal control system of the Group. The system of internal control is designed not only to achieve the Group's objectives with facilitating an effective and efficient business operation to ensure a reliable financial reporting and compliance with applicable rules and regulations, but also to provide reasonable, but not absolute, assurance on preventing material misstatement or loss as well as managing and minimising risks of failure in operational system.

The Board should at least annually conduct a review on the effectiveness of the system of internal control including all relevant financial, operational and compliance controls and risk management functions.

The Board, through the audit committee of the Company, has conducted annual review of the effectiveness of the Group's system of internal control covering financial, operational and compliance policies and considers them to be effective and adequate.

## AUDITORS' REMUNERATION

During the Reporting Period, the remuneration paid and payable to the Company's external auditors, Ernst & Young, is set out below:

| | HK$'000 |
|---|---|
| Audit service | 1,320 |
| Non-audit services: | |
| Taxation and other services | 222 |

## COMPANY SECRETARY

Due to the change of the Company's controlling shareholder during the Reporting Period, Mr. Kung Hei Ning resigned on 4 March 2016 as the financial controller and the company secretary of the Company. Mr. Wong Kam Ting was appointed as the financial controller and the company secretary of the Company on the same date in place of Mr. Kung Hei Ning. In the opinion of the Board, Mr. Wong possesses the necessary qualifications and experience, and is capable of performing the functions of a company secretary. Mr. Wong is the secretary of the Board and various Board committees including audit committee, remuneration committee and nomination committee.

During the Reporting Period, Mr. Wong has complied with rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

## DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group.

## DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the financial statements and to ensure that the financial statements of the Group are prepared to reflect 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 provision required of the Listing Rules. The Directors are of the view that the financial statements of the Group for each financial year have been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Statement of the Company's external auditors' responsibilities for preparing the consolidated financial statements is set out in the Independent Auditors' Report of this report.

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely disclosure of information, which will enable shareholders and investors to make informed investment decisions. The channels via which the Company communicates with its shareholders include interim and annual reports, information on the websites of the Stock Exchange and the Company, annual general meeting and other general meeting(s) that may be convened.

The annual general meeting of the Company provides opportunity for shareholders to communicate directly with the Directors. The Chairman of the Board and the Chairmen of the Board committees of the Company will attend the annual general meeting to answer questions about the conduct of the audit, the preparation and contents of the auditors' report, the accounting policies and auditor independence.

## SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each substantial issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Stock Exchange and the Company after each general meeting.

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar and transfer office, namely, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Shareholders who wish to put enquiries to the Board can send their enquiries to the company secretary of the Company at the principal place of business of the Company in Hong Kong who will ensure these enquiries to be properly directed to the Board. The Company will not normally deal with verbal or anonymous enquiries. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

## CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Pursuant to article 64 of the Articles, any 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two 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.

## PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There is no provision allowing shareholders of the Company to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

## CONSTITUTIONAL DOCUMENTS

The existing Articles have been adopted pursuant to a special resolution passed by the Company's sole shareholder on 22 September 2014 in preparation for the Listing. During the year, the Company has amended the Company name as contained in the Articles. The latest version of the Articles is available on the websites of the Stock Exchange and the Company.

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2016.

## CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company on 29 March 2016 and the issue of Certificate of Change of Name by the Registrar of Companies of Hong Kong on 13 April 2016, the English name of the Company was changed from "Nga Chun Holdings Company Limited" to "Gold-Finance Holdings Limited" and the Chinese name of the Company was changed from "雅駿控股有限公司" to "金誠控股有限公司" with effect from 13 April 2016.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of corporate management services. During the year ended 31 March 2016, the Company's principal subsidiaries were engaged in the provision of Building Services in Hong Kong as a subcontractor.

There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

## BUSINESS REVIEW

A review of the business of the Group during the year including discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business are provided in the Chairman's Statement and Management Discussion and Analysis set out on pages 4 to page 5 & page 7 to 10 of this annual report.

## RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 35 of this report.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: HK$0.03 per share or HK$12.0 million in aggregate).

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the annual general meeting to be held on 19 September 2016, Monday, the register of members of the Company will be closed from 14 September 2016, Wednesday to 19 September 2016, Monday (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting, all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 13 September 2016.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 March 2016 is set out on page 3 of this report.

## USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

The net proceeds from the share offer of the Company in connection with the Listing on 16 October 2014 was approximately HK$92.6 million. According to the section "Future Plans and Use of Proceeds" set out in the prospectus of the Company dated 30 September 2014 (the "Prospectus"), the Group has used the net proceeds as follows:

| | **Actual net proceeds** HK$ million | **Used amount** HK$ million | **Unused amount** HK$ million |
|---|---|---|---|
| Operation of prospective projects | 55.5 | 55.5 | — |
| Hiring of additional staff | 18.5 | 2.7 | 15.8 |
| Upgrade of computer system and software | 9.3 | 0.2 | 9.1 |
| General working capital | 9.3 | 9.3 | — |
| Total | 92.6 | 67.7 | 24.9 |

The unutilised net proceeds are mainly placed in the current account with certain licensed financial institutions.

## BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 March 2016 are set out in note 21 to the financial statements.

## CONSULTING PROFESSIONAL TAX ADVISERS

The Company's shareholders are recommended to consult professional advisers if they are in any doubt as to the tax implications of purchasing, holding, disposing of, dealing in or the exercise of any rights in relation to the Company's shares.

## PENSION SCHEME

Particulars of the pension scheme operated by the Group are set out under "Employee benefits" in note 2.4 to the financial statements.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2016 are set out in note 1 to the financial statements.

## SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 March 2016 was 400,000,000 ordinary shares of HK$0.01 each. Details of movements in the share capital and the share premium of the Company during the Reporting Period are set out in notes 23 and 24 to the financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles and there was no restriction against such rights under the laws of Cayman Islands.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities from the date of Listing to 31 March 2016.

## DISTRIBUTABLE RESERVES

Details of the reserves of the Group are set out in note 24 to the financial statements.

As of 31 March 2016, the reserve of the Company available for distribution was approximately HK$227,779,000 (2015: HK$202,586,000) inclusive of share premium and retained earnings.

## SHARE OPTION SCHEME

Particulars of the share option scheme (the "Scheme") which was adopted on 22 September 2014 is set out in note 25 to the financial statements.

The maximum number of shares of the Company in respect of which options may be granted under the Scheme was 40,000,000, representing approximately 10% of the issued share capital of the Company as of the date of Listing and the date of this report.

The Scheme shall be valid and effective for a period of ten years commencing on 22 September 2014, being the date of adoption of the Scheme by the Board.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 March 2016.

## DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

### Executive Directors

Mr. Wei Jie (appointed on 3 February 2016 and appointed as Chairman and Chief Executive Officer on 16 February 2016)
Ms. Xu Li Yun (appointed on 3 February 2016)
Mr. Jiang Junwei (appointed on 3 February 2016)
Ms. Fan Qi (appointed on 3 February 2016)
Mr. Fung Chi Wing (Chairman) (resigned on 16 February 2016)
Ms. Fung Mei Lan (resigned on 16 February 2016)
Ir Wong Chi Wai (Chief Executive Officer) (resigned on 16 February 2016)

### Independent Non-executive Directors

Mr. Niu Zhongjie (appointed on 3 February 2016)
Mr. Cheung Ying Kwan (appointed on 3 February 2016)
Mr. Chen Zhao (appointed on 3 February 2016)
Ir Ho Pun Hing (resigned on 16 February 2016)
Ir Szeto Ka Sing (resigned on 16 February 2016)
Dr. Leung Shiu Ki Albert (resigned on 16 February 2016)

In accordance with article 108 of the Articles, one-third of the existing Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Pursuant to article 112 of the Articles and the code provision A.4.2 of the Corporate Governance Code, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Therefore, Mr. Wei Jie, Ms. Xu Li Yun, Mr. Jiang Junwei, Ms. Fan Qi, Mr. Niu Zhongjie, Mr. Cheung Ying Kwan and Mr. Chen Zhao will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this report.

Information regarding Directors' emoluments is set out in note 8 to the financial statements.

An annual confirmation of independence pursuant to rule 3.13 of the Listing Rules has been received from each of the INEDs.

## DIRECTORS' SERVICE CONTRACTS

All existing executive Directors have entered into service contracts with the Company for a term of three years commencing from 3 February 2016, which may be terminated earlier by no less than three months written notice served by either party on the other. They are also subject to retirement and re-election at annual general meeting of the Company in accordance with the Articles.

Each of the INEDs has entered into a service contract with the Company for a term of three years with effect from 3 February 2016. Their appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 8 and 9 to the financial statements.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 March 2016, the interests and short positions of the Directors and chief executive in shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would be required to be recorded in the register required to be kept under Section 352 of the SFO; or which would otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### Long position in shares of the Company/associated corporation

| Director | Name of corporation | Capacity and nature of interests | Number of ordinary shares held | % of issued share capital |
|---|---|---|---|---|
| Mr. Wei Jie | The Company | Interest in a controlled corporation | 300,000,000 *(Note)* | 75% |

*Note:* These shares are legally and beneficially owned by Gold-Finance (Hong Kong) Asset Management Limited which is indirectly owned as to 90% by Mr. Wei Jie.

Save as disclosed above, as at 31 March 2016, none of the Directors or chief executive of the Company or any of their spouses or children under 18 years of age had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2016, to the best of the Directors' knowledge, the interests and short positions of the person (other than the Directors or chief executive of the Company) or company in the shares or underlying shares of the Company which would be required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

### Long position in shares of the Company

| Name of shareholders | Notes | Capacity and nature of interests | Number of ordinary shares held | % of issued share capital |
|---|---|---|---|---|
| Gold-Finance (Hong Kong) Asset Management Limited | | Beneficial owner | 300,000,000 | 75% |
| Zhejiang Jin Cheng Asset Management Company Limited | 1 | Interest in a controlled corporation | 300,000,000 | 75% |
| Ningbo He Ze Run Industrial Investment Limited | 1 | Interest in a controlled corporation | 300,000,000 | 75% |
| Mr. Wei Jie | 2 | Interest in a controlled corporation | 300,000,000 | 75% |

*Notes:*

1. Gold-Finance (Hong Kong) Asset Management Limited is owned as to 100% by Zhejiang Jin Cheng Asset Management Company Limited (浙江金誠資產管理有限公司), which in turn, is wholly-owned by Ningbo He Ze Run Industrial Investment Limited (寧波和澤潤實業投資有限公司).

2. Ningbo He Ze Run Industrial Investment Limited (寧波和澤潤實業投資有限公司) is owned as to 90% by Mr. Wei Jie, who is deemed to be interested in the 300,000,000 shares of the Company owned by Gold-Finance (Hong Kong) Asset Management Limited by virtue of the SFO.

Save as disclosed above, as at 31 March 2016, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests in Shares" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the Group's contract costs and contract revenue attributable to major suppliers and customers are as follows:

a. Percentage of contract costs attributable to the:

| | | |
|---|---|---|
| — | Largest supplier | 2.52% |
| — | Five largest suppliers | 9.14% |

b. Percentage of contract revenue attributable to the:

| | | |
|---|---|---|
| — | Largest customer | 43.47% |
| — | Five largest customers | 90.61% |

Save as disclosed under the section "Continuing Connected Transactions" below, none of the Directors or any of their associate or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers and customers.

## DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as the related party transactions disclosed in note 29 to the financial statements, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a Director had a material interests directly or indirectly subsisted at the end of the Reporting Period or at any time during the Reporting Period.

## MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Group were entered into or existed during the Reporting Period.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR 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 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.

## RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the usual course of business are set out in note 29 to the financial statements.

## CONTINUING CONNECTED TRANSACTIONS

In accordance with the reporting and announcement requirements under Chapter 14A of the Listing Rules, the Group had entered into the following non-exempt continuing connected transactions during the Reporting Period:

| Connected persons | Notes | Duration of agreement | Date of agreement | Nature and purpose of transactions |
|---|---|---|---|---|
| Certain subsidiaries of Vantage International Holdings Limited ("Vantage") | a | Three years from the date of Listing | 22 September 2014 | To govern existing and future contracting arrangements between certain subsidiaries of Vantage and Fungs E & M |
| Certain subsidiaries of Lanon Holdings Company Limited ("Lanon Holdings") | b | Three years from the date of Listing | 22 September 2014 | To govern existing and future contracting arrangements between certain subsidiaries of Lanon Holdings and Fungs E & M |
| Able E & M Engineering ("Able E & M") | c | Two years from the date of Listing | 22 September 2014 | To govern existing and future contracting arrangements between Able E & M and Fungs E & M |

*Notes:*

(a) The relevant subsidiaries of Vantage, Able Engineering Company Limited ("Able Engineering"), Able Contractors Limited ("Able Contractors") and Able Contracting Limited ("Able Contracting") and Excel Engineering Company Limited ("Excel Engineering"), (ceased to be a subsidiary of Vantage on 10 August 2015) are connected persons of the Company by virtue of them being subsidiaries of Vantage, one of the Company's controlling shareholders up to 7 December 2015.

On 22 September 2014, Fungs E & M and the relevant subsidiaries of Vantage including Able Engineering, Able Contractors, Able Contracting and Excel ("Vantage Subsidiaries") entered into a contract framework agreement (the "Vantage Contract Framework Agreement") to govern the overall relationship of the parties in relation to 11 existing contracts entered into between Fungs E & M and Vantage Subsidiaries and any such future contracts between Fungs E & M and Vantage Subsidiaries from time to time in relation to the provision of Building Services engineering works by Fungs E & M. The maximum amount of contracting fees payable to Fungs E & M under the Vantage Contract Framework Agreement shall not exceed the annual caps of HK$177 million, HK$200 million and HK$107 million for the years ending 31 March 2015, 2016 and 2017, respectively. Details of the Vantage Contract Framework Agreement are set out in the Prospectus.

During the year ended 31 March 2016, the contract revenue from the Vantage Subsidiaries to the Group amounted to approximately HK$40.7 million, which did not exceed the relevant annual cap for the same period.

(b) The relevant subsidiaries of Lanon Holdings, Lanon Development Limited ("Lanon Development") and Lanon Building Limited ("Lanon Building"), are connected persons of the Company by virtue of them being beneficially held as to 78% by Mr. Ngai Wing Yin through his indirect interest in Lanon Holdings. Mr. Ngai Wing Yin is the son of Mr. Ngai, the latter being a controlling shareholder of Vantage, one of the Company's controlling shareholders up to 7 December 2015.

On 22 September 2014, Fungs E & M entered into a contract framework agreement with Lanon Development and Lanon Building (the "Lanon Contract Framework Agreement") to govern the overall relationship of the parties in relation to five existing contracts entered into between Fungs E & M and the relevant subsidiaries of Lanon Holdings and any such future contracts as may be entered into between Fungs E & M and the relevant subsidiaries of Lanon Holdings from time to time in relation to the provision of Building Services engineering works by Fungs E & M. The maximum amount of contracting fees payable to Fungs E & M under the Lanon Contract Framework Agreement shall not exceed the annual caps of HK$82 million, HK$92 million and HK$87 million for the years ending 31 March 2015, 2016 and 2017, respectively. Details of the Lanon Contract Framework Agreement are set out in the Prospectus.

During the year ended 31 March 2016, the contract revenue from the relevant subsidiaries of Lanon Holdings amounted to approximately HK$54.5 million, which did not exceed the relevant annual cap for the same period.

(c) Each of Vantage and Mr. Fung Chi Wing (the Company's controlling shareholders up to 7 December 2015) is beneficially indirectly interested in 50% of the shareholdings in Able E & M.

On 5 September 2014, Fungs E & M entered into a contract agreement with Able E & M (the "Able E & M Contract Agreement") to govern the overall relationship of the parties in relation to six existing contracts entered into between the Group and Able E & M in relation to the provision of Building Services engineering works by Fungs E & M according to the requirements under Chapter 14A of the Listing Rules. The maximum amount of contracting fees payable to Fungs E & M under the Able E & M Contract Agreement shall not exceed the annual caps of HK$47 million and HK$18 million for the years ending 31 March 2015 and 2016, respectively. Details of the Able E & M Contract Agreement are set out in the Prospectus.

During the year ended 31 March 2016, the contract revenue from Able E & M amounted to approximately HK$3.9 million, which did not exceed the relevant annual cap for the same period.

The INEDs have reviewed the continuing connected transactions mentioned above and have confirmed that the continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

The Company's auditors have confirmed that:

(i) nothing has come to their attention that causes them to believe that the continuing connected transactions mentioned above have not been approved by the Board;

(ii) for transactions under the Vantage Contract Framework Agreement, the Lanon Contract Framework Agreement and the Able E & M Contract Agreement, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) nothing has come to their attention that causes them to believe that the continuing connected transactions mentioned above were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum annual cap as set by the Company.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Having made specific enquiry of all Directors, all Directors have confirmed that neither themselves nor their respective associates (as defined in the Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interest during the Reporting Period.

## ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

It is the policy of the Group to strive to reduce the impact on environment in running and promoting its business activities. For the year ended 31 March 2016, the Group had complied with the relevant environmental laws and regulations which have a significant impact on the Group. In order to reduce greenhouse gas emissions and to reduce the use of papers, the Group encourages its staff to reduce energy consumption, unnecessary printing and photocopying and to recycle office supplies whenever possible.

The Group respects human rights and does not engage in discrimination on the basis of sex, race, ethnicity, age or religion. The Group adopts a non-discriminatory policy in its recruitment and staff promotion pursuant to which only qualifications, experience and merit of the applicant or staff are taken into consideration.

The Group promotes and maintains harmony with the communities in which it operates, and is committed to contribute towards the society. The Group encourages its staff to support community service activities.

For the year ended 31 March 2016, to the best of the Directors' knowledge, information and belief, the Group has complied with the applicable laws and regulations that have significant impact on the Group.

## RELATIONSHIP WITH KEY STAKEHOLDERS

The Group maintains stable and good relationships with its employees, suppliers and customers. The number of employees of the Group remains fairly constant and the turnover rate is relatively low throughout the Recording Period.

For the year ended 31 March 2016, the Group has not encountered any labour dispute. The Group treasures its relationship with suppliers and customers as strong relationship with suppliers and customers are crucial to the sustainability of the Group. Therefore, the Group keeps close contacts with its suppliers and customers through various means, including company visits, telephone calls and emails.

## COMPLIANCE WITH RELATED LAW AND REGULATIONS

As far as the Board and management are aware, the Group has complied with all related laws and regulations in all material aspects which may have significant impact on the operation of the Group.

## PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities. The permitted indemnity provision is currently in force and was in force throughout the year ended 31 March 2016 in accordance with the definition in section 469 of the Companies Ordinance.

## EQUITY-LINKED AGREEMENTS

For the year ended 31 March 2016, save for the share option scheme previously mentioned, the Company has not entered into the equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 March 2016.

## CORPORATE GOVERNANCE CODE

Throughout the year ended 31 March 2016, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code.

For the details of the Company's corporate governance practices, please refer to the section headed "Corporate Governance Report" in this report.

## SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information available in the public domain concerning the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this report.

## AUDITORS

Ernst & Young shall retire in the forthcoming annual general meeting, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young will be proposed at the forthcoming annual general meeting. The Company has not changed its external auditors during the year ended 31 March 2016 and up to the date of this report.

On behalf of the Board

**Wei Jie**
*Chairman*

Hong Kong, 20 June 2016

EY 安永

**To the shareholders of Gold-Finance Holdings Limited**
*(Formerly known as Nga Chun Holdings Company Limited)*
*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Gold-Finance Holdings Limited (formerly known as Nga Chun Holdings Company Limited) (the "Company") and its subsidiaries set out on pages 35 to 83, which comprise the consolidated statement of financial position as at 31 March 2016, and 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. Our report is made 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.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and of their 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.

**Ernst & Young**
*Certified Public Accountants*
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

20 June 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 March 2016*

| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **REVENUE** | 5 | **591,999** | 684,578 |
| Contract costs | | **(546,750)** | (610,924) |
| Gross profit | | **45,249** | 73,654 |
| Other income and gains | 5 | **3,794** | 1,302 |
| Administrative expenses | | **(21,369)** | (29,216) |
| Finance costs | 6 | **(798)** | (1,142) |
| Other expenses, net | | **(2,425)** | 3,469 |
| **PROFIT BEFORE TAX** | 7 | **24,451** | 48,067 |
| Income tax expense | 10 | **(5,196)** | (9,540) |
| **PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **19,255** | 38,527 |
| Profit and total comprehensive income attributable to equity holders of the parent | | **19,255** | 38,527 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | | | |
| Basic and diluted | 12 | **HK4.81 cents** | HK11.14 cents |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 March 2016*

| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 13 | 61,485 | 67,221 |
| Investment property | 14 | 7,900 | — |
| Pledged deposit for a life insurance product | 15 | 6,292 | 6,133 |
| Prepayment for acquisition of items of property, plant and equipment | 18 | 1,000 | — |
| Total non-current assets | | 76,677 | 73,354 |
| **CURRENT ASSETS** | | | |
| Gross amount due from customers for contract works | 16 | 79,302 | 61,703 |
| Accounts receivable | 17 | 51,989 | 63,633 |
| Prepayments, deposits and other receivables | 18 | 72,085 | 2,220 |
| Tax recoverable | | 2,066 | 789 |
| Time deposits with maturity of more than three months | | — | 14,945 |
| Cash and cash equivalents | 19 | 79,175 | 156,755 |
| Total current assets | | 284,617 | 300,045 |
| **CURRENT LIABILITIES** | | | |
| Accounts payable | 20 | 23,208 | 26,103 |
| Accruals of costs for contract works | | 79,370 | 60,187 |
| Other payables and accruals | | 4,535 | 4,245 |
| Interest-bearing bank loans | 21 | — | 36,066 |
| Total current liabilities | | 107,113 | 126,601 |
| **NET CURRENT ASSETS** | | 177,504 | 173,444 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 254,181 | 246,798 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | 22 | 184 | 56 |
| Net assets | | 253,997 | 246,742 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Issued capital | 23 | 4,000 | 4,000 |
| Reserves | 24 | 249,997 | 242,742 |
| Total equity | | 253,997 | 246,742 |

**Wei Jie**
*Director*

**Jiang Junwei**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Year ended 31 March 2016*

| | Attributable to equity holders of the parent | | | | |
|---|---|---|---|---|---|
| | **Issued capital** HK$'000 (note 23) | **Share premium** HK$'000 | **Capital reserve** HK$'000 (note 24) | **Retained profits** HK$'000 | **Total equity** HK$'000 |
| At 1 April 2014 | — | — | 4,800 | 134,705 | 139,505 |
| Profit and total comprehensive income for the year | — | — | — | 38,527 | 38,527 |
| Interim dividend (note 11) | — | — | — | (36,000) | (36,000) |
| Issue of new shares pursuant to the Reorganisation (note 23(b)) | 10 | 114,341 | (114,351) | — | — |
| Capitalisation Issue (note 23(c)) | 2,990 | (2,990) | — | — | — |
| Issue of new shares pursuant to the Share Offer (note 23(d)) | 1,000 | 109,000 | — | — | 110,000 |
| Share issue expenses | — | (5,290) | — | — | (5,290) |
| At 31 March 2015 and 1 April 2015 | 4,000 | 215,061* | (109,551)* | 137,232* | 246,742 |
| Profit and total comprehensive income for the year | — | — | — | 19,255 | 19,255 |
| Final 2015 dividend (note 11) | — | (12,000) | — | — | (12,000) |
| At 31 March 2016 | 4,000 | 203,061* | (109,551)* | 156,487* | 253,997 |

* These reserve accounts comprise the consolidated reserves of HK$249,997,000 (2015: HK$242,742,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*Year ended 31 March 2016*

| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **24,451** | 48,067 |
| Adjustments for: | | | |
| Finance costs | 6 | **798** | 1,142 |
| Interest income | 5 | **(1,434)** | (569) |
| Depreciation | 7 | **3,315** | 3,133 |
| Charges of a life insurance product | | **66** | 63 |
| Impairment of other receivables | 7 | **—** | 105 |
| Reversal of impairment of an amount due from a related party | 7 | **—** | (5,451) |
| Gain on disposal of items of property, plant and equipment | 5 | **(805)** | — |
| Deficit on revaluation of property at date of transfer to investment property | 7 | **560** | — |
| Fair value gain on investment property | 7 | **(100)** | — |
| | | **26,851** | 46,490 |
| Increase in the gross amount due from customers for contract works | | **(17,599)** | (4,115) |
| Decrease/(increase) in accounts receivable | | **11,644** | (8,221) |
| Decrease/(increase) in prepayments, deposits and other receivables | | **(69,630)** | 923 |
| Decrease in accounts payable | | **(2,895)** | (853) |
| Increase in accruals of costs for contract works | | **19,183** | 11,480 |
| Increase in other payables and accruals | | **290** | 753 |
| Cash generated from/(used in) operations | | **(32,156)** | 46,457 |
| Interest received | | **974** | 193 |
| Interest paid | | **(798)** | (1,142) |
| Hong Kong profits tax paid | | **(6,345)** | (17,826) |
| Net cash flows from/(used in) operating activities | | **(38,325)** | 27,682 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of items of property, plant and equipment | | **(10,151)** | (4,867) |
| Prepayment for acquisition of items of property, plant and equipment | | **(1,000)** | — |
| Repayments from a related party | | **—** | 5,451 |
| Decrease/(increase) in time deposits with original maturity of more than three months | | **14,945** | (14,945) |
| Proceeds from disposal of items of property, plant and equipment | | **5,017** | — |
| Net cash flows from/(used in) investing activities | | **8,811** | (14,361) |



| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| Net cash flows from/(used in) investing activities | | **8,811** | (14,361) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of interest-bearing bank loans | | **(36,066)** | (21,767) |
| Interim dividend paid | 11 | **—** | (36,000) |
| Final dividend paid | 11 | **(12,000)** | — |
| Gross proceeds from issue of shares | 23(d) | **—** | 110,000 |
| Share issue expenses | | **—** | (5,290) |
| Net cash flows from/(used in) financing activities | | **(48,066)** | 46,943 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(77,580)** | 60,264 |
| Cash and cash equivalents at beginning of year | | **156,755** | 96,491 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **79,175** | 156,755 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | 19 | **79,175** | 131,994 |
| Non-pledged time deposits with original maturity of less than three months when acquired | 19 | **—** | 24,761 |
| | | **79,175** | 156,755 |

## 1. CORPORATE AND GROUP INFORMATION

Gold-Finance Holdings Limited (formerly known as Nga Chun Holdings Company Limited) (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at Unit B, 10/F., Summit Building, 30 Man Yue Street, Hung Hom, Kowloon, Hong Kong.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 October 2014.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were engaged in the provision of building services ("Building Services") in Hong Kong.

In the opinion of the directors, as at 31 March 2016, the immediate holding company of the Company is Gold-Finance (Hong Kong) Asset Management Limited, which is incorporated in Hong Kong, and the ultimate holding company of the Company is Ningbo He Ze Run Industrial Investments Limited (寧波和澤潤實業投資有限公司#), which is incorporated in the People's Republic of China ("PRC").

Particulars of the Company's subsidiaries are set out below:

| Company name | Place of incorporation and place of operations | Issued ordinary share capital | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Master Grand Investment Company Limited ("Master Grand") | British Virgin Islands ("BVI") | US$100 | 100 | — | Investment holding |
| Fungs E & M Engineering Company Limited ("Fungs E & M") | Hong Kong | HK$4,800,000 | — | 100 | Building Services |

\# The English name of this company represents the best effort made by management of the Company to directly translate its official Chinese name as it has not registered any official English name.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment property and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.1 BASIS OF PREPARATION *(Continued)*

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group 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 members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

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

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) *The Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets:* Clarifies the treatment of the gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets.

  The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures:* Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(c) *The Annual Improvements to HKFRSs 2011–2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations:* Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement:* Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property:* Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment property. The amendment has had no impact on the Group as the acquisition of investment property during the year was not a business combination and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| HKFRS 9 | *Financial Instruments*[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | *Investment Entities: Applying the Consolidation Exception*[1] |
| Amendments to HKFRS 11 | *Accounting for Acquisitions of Interests in Joint Operations*[1] |
| HKFRS 14 | *Regulatory Deferral Accounts*[4] |
| HKFRS 15 | *Revenue from Contracts with Customers*[2] |
| HKFRS 16 | *Leases*[3] |
| Amendments to HKAS 1 | *Disclosure Initiative*[1] |
| Amendments to HKAS 16 and HKAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortisation*[1] |
| Amendments to HKAS 16 and HKAS 41 | *Agriculture: Bearer Plants*[1] |
| Amendments to HKAS 27 (2011) | *Equity Method in Separate Financial Statements*[1] |
| *Annual Improvements 2012–2014 Cycle* | Amendments to a number of HKFRSs[1] |

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
5 No mandatory effective date is determined but is available for early adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. The Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 April 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 April 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 April 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is yet to assess the full impact of the standard on its financial position and results of operations. The standard is mandatorily effective for annual periods beginning on or after 1 January 2019.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fair value measurement

The Group measures its investment property and financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Fair value measurement** *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

**Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than construction contract assets and financial assets and investment property), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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 (a);

(vii) a person identified in (a)(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); and

(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 parent of the Group.

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Property, plant and equipment and depreciation** *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Leasehold land under finance leases and buildings | Over the shorter of the remaining lease terms and 40 years |
| Furniture, fixtures and office equipment | 20% |
| Motor vehicles | 25% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

**Investment property**

Investment property is interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment property are included in the profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

**Leases**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Leases** *(Continued)*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

**Investments and other financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss or loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designate at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

### Impairment of financial assets

The Group assesses at the end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Impairment of financial assets** *(Continued)*

*Financial assets carried at amortised cost (Continued)*

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include accounts and other payables, accruals of costs for contract works and interest-bearing bank loans.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

*Loans and borrowings*

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in the consolidated statement of profit or loss and other comprehensive income.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial liabilities** *(Continued)*

*Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

**Offsetting of financial instruments**

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

**Cash and cash equivalents**

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Income tax** *(Continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from construction, renovation and other contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction, renovation and other contracts" below;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(c) rental income, on a time proportion basis over the lease terms.

### Construction, renovation and other contracts

Contract revenue comprises the agreed contract amount or fixed rate per unit of output and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from contracts is recognised using the percentage of completion method, measured by reference to the percentage of certified value of work performed to date to the total contract sum of the relevant contracts.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from customers for contract works. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to customers for contract works.

### Employee benefits

*Pension scheme*

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

**Foreign currency transactions**

Transactions in foreign currencies are translated into the functional currency of the Group using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompany disclosures and the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

*Operating lease commitments — Group as lessor*

The Group has entered into commercial property lease on its investment property. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the property which is leased out on an operating lease.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

**Judgements** *(Continued)*

*Classification between investment property and owner-occupied property*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for these portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Construction, renovation and other contracts*

As further explained in note 2.4 to the financial statements, revenue and profit recognition on contract works is dependent on the estimation of the total outcome of the construction contract, as well as the work performed to date. Based on the Group's past experience and the nature of the contract activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and the revenue can be reliably estimated. As a result, until this point is reached, the amount due from customers for contract works as disclosed in note 16 to the financial statements will not include profit which the Group may eventually realise from the work performed to date. In addition, actual outcomes in terms of total contract costs and/or revenue may be higher or lower than those estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect whether any provision is required for foreseeable losses. The estimates are made based on past experience and knowledge of the project management.

*Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

**Estimation uncertainty** *(Continued)*

*Estimated recoverability of receivables*

The Group's management determines the provision of receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors as well as the current market condition, and requires the use of judgements and estimates. Management reassesses the provision at the end of the reporting period.

*Estimation of fair value of investment property*

As disclosed in note 14 to the financial statements, the Group's investment property is revalued at the end of the reporting period on a market value, existing use basis by an independent professionally qualified valuer. Such valuation was based on certain assumptions and estimates, which are subject to uncertainty and might materially differ from the actual outcomes. In making the judgement for valuation of the investment property on a market value, existing use basis, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of the reporting period are used.

## 4. SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the provision of Building Services. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

The Group's revenue from external customers was derived solely from its operations in Hong Kong during the year, and the non-current assets of the Group were located in Hong Kong as at 31 March 2016 and 2015.

**Information about major customers**

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Customer A | **257,334** | 308,315 |
| Customer B# | **94,024** | N/A* |
| Customer C## | **88,498** | 121,742 |
| Customer D | **N/A*** | 87,393 |
| Customer E | **86,497** | N/A* |

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

\# Included sales to a group of entities which are known to be controlled by a family member of a former substantial shareholder of the Company.

\## Included sales to a group of entities which are known to be under common control of a former substantial shareholder of the Company.

Except for the aforesaid, no revenue from a single external customer accounted for 10% or more of the Group's revenue.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the appropriate proportion of contract revenue from construction, renovation and other contracts.

An analysis of revenue, other income and gains is as follows:

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| **Revenue** | | |
| Contract revenue | 591,999 | 684,578 |
| **Other income and gains** | | |
| Interest income | 1,434 | 569 |
| Management fee income | 1,278 | 613 |
| Gross rental income | 26 | 120 |
| Fair value gain on investment property | 100 | — |
| Gain on disposal of items of property, plant and equipment | 805 | — |
| Sundry income | 151 | — |
| | 3,794 | 1,302 |

## 6. FINANCE COSTS

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Interest on bank loans and overdrafts | 798 | 1,142 |

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

| | Notes | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|---|
| Depreciation | 13 | **3,315** | 3,133 |
| Auditors' remuneration | | **1,320** | 1,280 |
| Reversal of impairment of an amount due from a related party* | 18 | **—** | (5,451) |
| Impairment of other receivables* | 18 | **—** | 105 |
| Deficit on revaluation of property at date of transfer to investment property* | 13 | **560** | — |
| Fair value gain on investment property | 14 | **(100)** | — |
| Direct operating expenses (including repair and maintenance) arising from rental-earning investment property | | **2** | 18 |
| Exchange loss* | | **1,865** | 1,877 |
| Employee benefit expense (exclusive of directors' remuneration (note 8)): | | | |
| Wages and salaries | | **38,382** | 30,124 |
| Pension scheme contributions (defined contribution scheme) | | **1,104** | 959 |
| | | **39,486** | 31,083 |
| Minimum lease payments under operating leases in respect of office equipment | | **151** | 154 |

* Included in "Other expenses, net" in the consolidated statement of profit or loss and other comprehensive income.

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Fees | **432** | 180 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **3,785** | 4,348 |
| Discretionary performance-related bonuses | **3,826** | 3,673 |
| Pension scheme contributions (defined contribution scheme) | **49** | 54 |
| | **7,660** | 8,075 |
| | **8,092** | 8,255 |

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Ir Ho Pun Hing ("Ir Ho") | **120** | 60 |
| Ir Szeto Ka Sing ("Ir Szeto") | **120** | 60 |
| Dr. Leung Shiu Ki Albert ("Dr. Leung") | **120** | 60 |
| Mr. Niu Zhongjie ("Mr. Niu") | **24** | — |
| Mr. Cheung Ying Kwan ("Mr. Cheung") | **24** | — |
| Mr. Chen Zhao ("Mr. Chen") | **24** | — |
| | **432** | 180 |

Ir Ho, Ir Szeto and Dr. Leung were appointed as independent non-executive directors of the Company on 22 September 2014 and resigned on 16 February 2016.

Mr. Niu, Mr. Cheung and Mr. Chen were appointed as independent non-executive directors of the Company on 3 February 2016.

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

### (b) Executive directors

| | Fees<br>HK$'000 | Salaries, allowances and benefits in kind<br>HK$'000 | Discretionary performance-related bonuses<br>HK$'000 | Pension scheme contributions<br>HK$'000 | Total remuneration<br>HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2016** | | | | | |
| Mr. Wei Jie ("Mr. Wei") | **—** | **22** | **—** | **1** | **23** |
| Ms. Xu Li Yun ("Ms. Xu") | **—** | **22** | **—** | **1** | **23** |
| Mr. Jiang Junwei ("Mr. Jiang") | **—** | **22** | **—** | **1** | **23** |
| Ms. Fan Qi ("Ms. Fan") | **—** | **22** | **—** | **1** | **23** |
| Mr. Fung Chi Wing ("Mr. Fung") | **—** | **2,600** | **1,560** | **15** | **4,175** |
| Ir Wong Chi Wai ("Ir Wong") | **—** | **634** | **1,988** | **15** | **2,637** |
| Ms. Fung Mei Lan ("Ms. Fung") | **—** | **463** | **278** | **15** | **756** |
| | **—** | **3,785** | **3,826** | **49** | **7,660** |
| **Year ended 31 March 2015** | | | | | |
| Mr. Fung | — | 3,103 | 1,560 | 18 | 4,681 |
| Ir Wong | — | 727 | 1,903 | 18 | 2,648 |
| Ms. Fung | — | 518 | 210 | 18 | 746 |
| | — | 4,348 | 3,673 | 54 | 8,075 |

Mr. Fung, Ms. Fung and Ir Wong were appointed as executive directors of the Company on 26 June 2014 and resigned on 16 February 2016. Mr. Fung was appointed as the chairman of the Company and Ir Wong was appointed as the chief executive officer of the Company on 26 June 2014 and resigned on 16 February 2016.

Mr. Wei, Ms. Xu, Mr. Jiang and Ms. Fan were appointed as executive directors of the Company on 3 February 2016. Mr. Wei was appointed as the chairman of the Company and the chief executive officer of the Company on 16 February 2016.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2015: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2015: three) non-director, highest paid employees are as follows:

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | 1,886 | 1,707 |
| Discretionary performance-related bonuses | 1,197 | 1,280 |
| Pension scheme contributions | 54 | 53 |
| | 3,137 | 3,040 |

The number of the non-director, highest paid employees whose remuneration fell within the following bands is as follows:

| | Number of employees | |
|---|---|---|
| | 2016 | 2015 |
| Nil to HK$1,000,000 | 1 | 2 |
| HK$1,000,001 to HK$1,500,000 | 2 | 1 |
| | 3 | 3 |

## 10. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Current — Hong Kong | | |
| Charge for the year | 5,068 | 9,668 |
| Overprovision in prior years | — | (8) |
| Deferred (note 22) | 128 | (120) |
| Total tax charge for the year | 5,196 | 9,540 |

## 10. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Profit before tax | **24,451** | 48,067 |
| Tax at the Hong Kong statutory tax rate of 16.5% | **4,035** | 7,931 |
| Adjustments in respect of current tax of previous periods | **—** | (78) |
| Income not subject to tax | **(217)** | (955) |
| Expenses not deductible for tax | **1,096** | 2,580 |
| Temporary difference not recognised | **302** | — |
| Tax losses not recognised | **—** | 62 |
| Tax reduction | **(20)** | — |
| Tax charge at the Group's effective tax rate of 21.3% (2015: 19.8%) | **5,196** | 9,540 |

## 11. DIVIDEND

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Proposed final — Nil (2015: HK$3 cents) per ordinary share | **—** | 12,000 |

On 8 September 2014, Fungs E & M declared an interim dividend of HK$36,000,000 to the then shareholder and such interim dividend was paid in October 2014.

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share for the year ended 31 March 2016 is based on the profit for the year attributable to equity holders of the parent of HK$19,255,000 (2015: HK$38,527,000) and the weighted average number of ordinary shares of 400,000,000 (2015: 345,723,425) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 March 2015 includes the one ordinary share of the Company issued upon incorporation, the 999,999 new ordinary shares issued pursuant to the reorganisation of the Company in connection with the listing of the shares of the Company on the Stock Exchange (the "Reorganisation" (note 23(b)) and the 299,000,000 new ordinary shares issued pursuant to the Capitalisation Issue (note 23(c)), as if all these shares had been in issue throughout the year ended 31 March 2015, and the weighted average of 100,000,000 new ordinary shares issued pursuant to the Share Offer (note 23(d)).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2015 and 2016 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2015 and 2016.



## 13. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings HK$'000 | Furniture, fixtures and office equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **31 March 2016** | | | | |
| At 31 March 2015 and 1 April 2015: | | | | |
| Cost | 69,409 | 4,260 | 6,536 | 80,205 |
| Accumulated depreciation | (3,890) | (3,093) | (6,001) | (12,984) |
| Net carrying amount | 65,519 | 1,167 | 535 | 67,221 |
| At 1 April 2015, net of accumulated depreciation | 65,519 | 1,167 | 535 | 67,221 |
| Additions | 9,636 | 515 | — | 10,151 |
| Depreciation provided during the year | (2,251) | (728) | (336) | (3,315) |
| Disposals | (4,212) | — | — | (4,212) |
| Deficit on revaluation at date of transfer to investment property | (560) | — | — | (560) |
| Transfer to investment property (note 14) | (7,800) | — | — | (7,800) |
| At 31 March 2016, net of accumulated depreciation | 60,332 | 954 | 199 | 61,485 |
| At 31 March 2016: | | | | |
| Cost | 66,073 | 4,775 | 5,256 | 76,104 |
| Accumulated depreciation | (5,741) | (3,821) | (5,057) | (14,619) |
| Net carrying amount | 60,332 | 954 | 199 | 61,485 |
| **31 March 2015** | | | | |
| At 1 April 2014: | | | | |
| Cost | 65,047 | 3,755 | 6,536 | 75,338 |
| Accumulated depreciation | (1,938) | (2,376) | (5,537) | (9,851) |
| Net carrying amount | 63,109 | 1,379 | 999 | 65,487 |
| At 1 April 2014, net of accumulated depreciation | 63,109 | 1,379 | 999 | 65,487 |
| Additions | 4,362 | 505 | — | 4,867 |
| Depreciation provided during the year | (1,952) | (717) | (464) | (3,133) |
| At 31 March 2015, net of accumulated depreciation | 65,519 | 1,167 | 535 | 67,221 |
| At 31 March 2015: | | | | |
| Cost | 69,409 | 4,260 | 6,536 | 80,205 |
| Accumulated depreciation | (3,890) | (3,093) | (6,001) | (12,984) |
| Net carrying amount | 65,519 | 1,167 | 535 | 67,221 |

At 31 March 2016, one of the Group's land and buildings with a net carrying amount of HK$47,411,000 (2015: HK$48,916,000) was pledged to secure a general banking facility granted to the Group (note 21).

## 14. INVESTMENT PROPERTY

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Carrying amount at beginning of year | — | — |
| Transfer from property, plant and equipment (note 13) | 7,800 | — |
| Gain from a fair value adjustment (note 7) | 100 | — |
| Carrying amount at end of year | 7,900 | — |

The Company's investment property consists of an office property in Hong Kong. Management has determined that the investment property consists of one class of asset, i.e., office property, based on the nature, characteristics and risks of that property.

The investment property was revalued on 31 March 2016 based on a valuation performed by Goldrich Planners & Surveyors Ltd, an independent professionally qualified valuer, at HK$7,900,000. Each year, the directors of the Company decide which external valuer to be responsible for the external valuation of the Group's property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

The investment property is leased to an independent third party under an operating lease, further summary details of which are included in note 27(a) to the financial statements.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's investment property:

**31 March 2016**

| | Fair value measurement categorised into | | | |
|---|---|---|---|---|
| | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | Total HK$'000 |
| Recurring fair value measurement for: | | | | |
| Office property | — | 7,900 | — | 7,900 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

## 15. PLEDGED DEPOSIT FOR A LIFE INSURANCE PRODUCT

The Group entered into a life insurance policy with an insurance company to insure Mr. Fung in 2014. Under this policy, the Group is the beneficiary and the policy holder. The Group is required to pay an upfront payment for the policy. The Group may request a partial surrender or full surrender of the policy at any time and receive cash based on the value of the policy at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated interest earned and minus insurance premium and policy expenses charged (the "Cash Value"). If such withdrawal is made at any time during the first to the eighteenth policy years, as appropriate, a pre-determined specified surrender charge would be imposed.

The insurance company pays interest at a rate of 4.2% per annum on the Cash Value of the policy for the first policy year. Commencing on the second policy year, the interest rate is 2% plus a premium determined by the insurance company on an annual basis.

At the inception date, the upfront payment is separated into a prepayment of life insurance premium and a deposit. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit is carried at amortised cost using the effective interest method. The effective interest rate on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the insurance policy, excluding the financial effect of the surrender charge.

The carrying amount of the life insurance product as at 31 March 2016 approximated to the Cash Value of the insurance policy, which is considered a close estimate to the fair value. The expected life of the policy remained unchanged from the initial recognition.

The fair value of the non-current portion of the pledged deposit is categorised within Level 3 of the fair value hierarchy and has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar credit terms, credit risk and remaining maturities.

The prepayment of life insurance premium of HK$20,000 (2015: HK$20,000) is included in the current portion of prepayments, deposits and other receivables and an aggregate carrying amount of HK$6,312,000 (2015: HK$6,153,000) was pledged as security for the Group's general banking facility (note 21).

## 16. CONSTRUCTION, RENOVATION AND OTHER CONTRACTS

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Gross amount due from customers for contract works | **79,302** | 61,703 |
| Contract costs incurred plus recognised profits less recognised losses to date | **806,925** | 994,040 |
| Less: Progress billings | **(727,623)** | (932,337) |
| | **79,302** | 61,703 |

## 17. ACCOUNTS RECEIVABLE

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Due from third parties | **47,235** | 39,693 |
| Due from related parties | **4,754** | 23,940 |
| | **51,989** | 63,633 |

Accounts receivable represented receivables for contract works. The payment terms of receivables for contract works are stipulated in the relevant contracts and the receivables are usually due for settlement within 7 days after the customers receive interim payment from their project employers.

At 31 March 2016, retentions receivable (including those classified under amounts due from related parties) included in accounts receivable amounted to HK$20,226,000 (2015: HK$15,932,000), which are repayable on terms ranging from two to three years.

The credit terms offered to the related parties are similar to those offered to other major independent customers of the Group.

The aging analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

| | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|
| Past due but not impaired: | | |
| One to three months past due | **—** | 1,038 |
| Four to six months past due | **—** | — |
| Over six months past due | **2,990** | 2,187 |
| | **2,990** | 3,225 |
| Neither past due nor impaired | **48,999** | 60,408 |
| | **51,989** | 63,633 |

Accounts receivable that were past due but not impaired relate to a number of independent customers and a related party that have a good track record with the Group. Based on past experience, the directors are of the opinion that no allowance for impairment 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 or other credit enhancements over these balances.

Accounts receivable that are neither past due nor impaired relate to a number of independent customers and related parties for whom there was no recent history of default.

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Prepayments | 4,565 | 1,793 |
| Deposits and other receivables (note) | 68,625 | 532 |
| | 73,190 | 2,325 |
| Impairment | (105) | (105) |
| | 73,085 | 2,220 |
| Portion classified as non-current: | | |
| Prepayment for acquisition of items of property, plant and equipment | (1,000) | — |
| Current portion | 72,085 | 2,220 |

Note: Included in prepayments and other receivables is other receivables balances of HK$68,000,000 (2015: Nil) due from independent third parties, which are unsecured, interest-bearing at 8% per annum and repaid subsequently on 1 April 2016.

The movements in provision for impairment are as follows:

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| At beginning of year | 105 | 5,451 |
| Impairment losses recognised (note 7) | — | 105 |
| Impairment losses reversed (note 7) | — | (5,451) |
| At end of year | 105 | 105 |

The individually impaired other receivables relate to individuals that were in financial difficulties or were in default in payments and only a portion of the receivables is expected to be recovered.

## 19. CASH AND CASH EQUIVALENTS

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Cash and bank balances | **79,175** | 131,994 |
| Time deposits | **—** | 24,761 |
| | **79,175** | 156,755 |
| Cash and cash equivalents denominated in: | | |
| HK$ | **79,175** | 123,386 |
| Renminbi ("RMB") | **—** | 24,761 |
| Euro | **—** | 8,608 |
| | **79,175** | 156,755 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

## 20. ACCOUNTS PAYABLE

An aging analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Current to 3 months | **23,208** | 26,103 |

At 31 March 2016, retentions payable included in accounts payable amounted to HK$11,856,000 (2015: HK$9,374,000), which are normally settled on terms ranging from two to three years.

Accounts payable are non-interest-bearing and are normally settled within three months. The payment terms are stipulated in the relevant contracts.

## 21. INTEREST-BEARING BANK LOANS

Interest-bearing bank loans of the Group are repayable on demand and are analysed as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Interest-bearing bank loans — repayable on demand, secured and at a floating interest rate | **—** | 36,066 |

## 21. INTEREST-BEARING BANK LOANS *(Continued)*

Notes:

(a) The Group's general banking facility in an aggregate amount of HK$40,000,000 (2015: HK$61,367,000), of which nil balance (2015: HK$36,066,000) had been utilised as at the end of the reporting period, are secured by:

(i) a legal charge over land and buildings of the Group with a carrying amount of HK$47,411,000 (2015: HK$48,916,000); and

(ii) a pledged deposit of a life insurance product with a carrying amount of HK$6,312,000 (2015: HK$6,153,000).

(b) The interest-bearing bank loans at 31 March 2015 were denominated in Hong Kong dollars.

(c) The interest rates of the Group's interest-bearing bank loans are primarily repriced every month based on the changes of the HIBOR.

(d) As further explained in note 32 to the financial statements, the interest-bearing bank loans of the Group at 31 March 2015 containing a repayment on demand clause have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank loans and analysed into bank loans repayable on demand. Based on the maturity terms of the loans, the amounts repayable in respect of the loans are as follows:

| | 2015<br>HK$'000 |
|---|---|
| Analysed into: | |
| Within one year | 11,033 |
| In the second year | 10,933 |
| In the third to fifth years, inclusive | 7,800 |
| After five years | 6,300 |
| | 36,066 |

## 22. DEFERRED TAX LIABILITIES

The movements of deferred tax liabilities during the year are as follows:

| | **Depreciation allowance in excess of related depreciation**<br>HK$'000 |
|---|---|
| At 1 April 2014 | 176 |
| Deferred tax credited to profit or loss during the year (note 10) | (120) |
| At 31 March 2015 and 1 April 2015 | 56 |
| Deferred tax charged to profit or loss during the year (note 10) | 128 |
| At 31 March 2016 | **184** |

## 22. DEFERRED TAX LIABILITIES *(Continued)*

At 31 March 2016, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

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

## 23. SHARE CAPITAL

### Shares

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Authorised: | | |
| 1,000,000,000 ordinary shares of HK$0.01 each | **10,000** | 10,000 |
| Issued and fully paid: | | |
| 400,000,000 ordinary shares of HK$0.01 each | **4,000** | 4,000 |

The movements in the Company's share capital during the period from 21 May 2014 (date of incorporation) to 31 March 2015 and for the year ended 31 March 2016 were as follows:

| | Notes | Number of ordinary shares of HK$0.01 each | Nominal value of ordinary shares<br>HK$'000 |
|---|---|---|---|
| Authorised: | | | |
| At 21 May 2014 (date of incorporation) | (a) | 37,000,000 | 370 |
| Increase in authorised share capital on 22 September 2014 | (b) | 963,000,000 | 9,630 |
| At 31 March 2015 and 2016 | | 1,000,000,000 | 10,000 |

## 23. SHARE CAPITAL *(Continued)*

**Shares** *(Continued)*

| | | **Number of shares in issue** | **Issued capital** HK$'000 |
|---|---|---|---|
| Issued and fully paid: | | | |
| At 21 May 2014 (date of incorporation) | (a) | 1 | — |
| Issue of new shares pursuant to the Reorganisation | (b) | 999,999 | 10 |
| Capitalisation Issue | (c) | 299,000,000 | 2,990 |
| Issue of new shares pursuant to the Share Offer | (d) | 100,000,000 | 1,000 |
| At 31 March 2015 and 2016 | | 400,000,000 | 4,000 |

Notes:

(a) Upon incorporation on 21 May 2014, the authorised share capital of Company was HK$370,000 divided into 37,000,000 shares of HK$0.01 each. On the date of incorporation, 1 ordinary share of HK$0.01 was allotted and issued nil paid by the Company to the initial subscriber, Reid Services Limited, and the share was transferred to Team Great Limited ("Team Great") on 13 June 2014.

(b) On 22 September 2014, an ordinary resolution of the sole shareholder of the Company was passed and pursuant to which:

(i) the authorised share capital of the Company was increased from HK$370,000 to HK$10,000,000 by the creation of 963,000,000 additional shares of HK$0.01 each, ranking pari passu in all respects with existing shares of the Company; and

(ii) Team Great transferred all the shares it held in Fungs E & M to Master Grand, a direct wholly-owned subsidiary of the Company, in exchange for the Company allotting and issuing 999,999 ordinary shares in connection with the Reorganisation.

(c) Pursuant to the special resolution of the sole shareholder of the Company passed on 22 September 2014, a sum of HK$2,990,000 standing to credit of the share premium account of the Company was approved to be capitalised and for the allotment and issue of 299,000,000 ordinary shares of HK$0.01 each, credited as fully paid at par on 16 October 2014 (the "Capitalisation Issue").

(d) In connection with the listing of the Company on the Stock Exchange, 100,000,000 new ordinary shares of HK$0.01 each were issued at a price of HK$1.1 per share for a total cash consideration, before expenses, of HK$110,000,000 (the "Share Offer"). Dealings in the shares of the Company on the Stock Exchange commenced on 16 October 2014.

## 24. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

### Capital reserve

The amount represents the difference between the share capital and share premium issued by the Company for the acquisition of Fungs E & M pursuant to the Reorganisation and the share capital of Fungs E & M being acquired at the time of the Reorganisation.

## 25. SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the Company on 22 September 2014 (the "Scheme"), the Company may grant options to directors (including executive directors, non-executive directors and independent non-executive directors) and full-time employees of any member of the Group and any advisers, consultants, contractors, sub-contractors, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group, to subscribe for shares in the Company with the payment of HK$1.00 upon each option granted and the options granted must be accepted within 14 days from the date of offer.

The subscription price of a share shall be at least the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares of the Company on the date of grant of the option. The share options granted are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the provisions of early termination contained in the Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% of the number of shares of the Company in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not, in aggregate, exceed 10% of the number of shares of the Company in issue on the date the shares of the Company commence trading on the Stock Exchange. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12 months period up to the date of grant shall not exceed 1% of the shares of the Company then in issue.

No share option has been granted, exercised, cancelled or has lapsed since the adoption date of the Scheme on 22 September 2014 and there was no outstanding share option under the Scheme as at 31 March 2016.

## 26. CONTINGENT LIABILITIES

In the ordinary course of the Group's Building Services business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's subcontractors in accidents arising out of and in the course of their employment. The directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

## 27. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its investment property (note 14) under an operating lease arrangement, with a lease negotiated for a term of three years. The term of the lease generally also requires the tenant to pay security deposits and provides for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under a non-cancellable operating lease with its tenant falling due as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Within one year | **18** | — |

### (b) As lessee

The Group leases an office property under an operating lease arrangement. The lease for the property is negotiated for a term of two years.

At the end of the reporting period, the Group had total future minimum lease payments under a non-cancellable operating lease falling due as follows:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Within one year | **131** | 20 |

## 28. COMMITMENTS

At the end of the reporting period, the Group had the following significant capital commitments in respect of acquisition of items of property, plant and equipment:

| | **2016 HK$'000** | 2015 HK$'000 |
|---|---|---|
| Contracted, but not provided for | **3,337** | 879 |

## 29. RELATED PARTY TRANSACTIONS

During the year, the directors are of the view that related parties of the Group include the following companies:

| Name of related party | Relationship with the Group |
|---|---|
| YWH Limited ("YWH") | An entity controlled by Mr. Fung |
| Able E & M Engineering Limited ("Able E & M") | An entity controlled by Mr. Fung |
| Able Engineering Company Limited ("Able Engineering")* | An entity controlled by Vantage International (Holdings) Limited ("Vantage") — a former substantial shareholder of the Company |
| Able Contracting Limited ("Able Contracting")* | An entity controlled by Vantage |
| Able Contractors Limited ("Able Contractors")* | An entity controlled by Vantage |
| Excel Engineering Company Limited ("Excel")** | An entity controlled by Vantage |
| Lanon Development Limited ("Lanon Development")* | An entity controlled by a family member of Mr. Ngai, a former substantial shareholder of the Company |
| Lanon Building Limited ("Lanon Building")* | An entity controlled by a family member of Mr. Ngai, a former substantial shareholder of the Company |

* These entities ceased to be related parties of the Group since 7 December 2015. As such, only transactions occurred for the period from 1 April 2015 to 6 December 2015 are included in the below related party transactions disclosures.

** This entity ceased to be a related party of the Group since 5 June 2015. As such, only the contract revenue recognised for the period from 1 April 2015 to 4 June 2015 is included in the below related party transactions disclosures.

**(a)** In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Contract revenue from related parties# | | |
| Able E & M | 3,937 | 21,719 |
| Able Engineering | 16,486 | 94,005 |
| Able Contracting | 22,458 | 18,907 |
| Able Contractors | 1,768 | 7,789 |
| Excel | — | 1,041 |
| Lanon Development | 4,929 | 16,561 |
| Lanon Building | 49,594 | 45,930 |
| Rental expense to YWH# | 15 | 40 |

## 29. RELATED PARTY TRANSACTIONS *(Continued)*

**(a)** In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year: *(Continued)*

Notes:

(a) The above transactions were conducted on terms and conditions mutually agreed between the relevant parties.

(b) Outstanding balances with related parties

Other than the balances with related parties disclosed elsewhere in these consolidated financial statements, the Group had no outstanding balances with related parties as at the end of the reporting period.

(c) Compensation of key management personnel of the Group:

| | **2016**<br>**HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Short term employee benefits | **9,201** | 8,793 |
| Pension scheme contributions | **74** | 68 |
| Total compensation paid to key management personnel | **9,275** | 8,861 |

Further details of directors' emoluments are included in note 8 to the financial statements.

# These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## 30. FINANCIAL INSTRUMENTS BY CATEGORY

As at 31 March 2016, all the financial assets and liabilities of the Group were loans and receivables and financial liabilities at amortised cost, respectively.

## 31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments reasonably approximate to fair values.

Management has assessed that the fair values of the current portion of deposits, accounts receivable, other receivables, amounts due from related parties, cash and cash equivalents, accounts payable, other payables and accruals, accruals of costs for contract works and interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

During the year ended 31 March 2016, there were no transfer of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include interest-bearing bank loans, accounts and other receivables, deposits, accounts and other payables, accruals of costs for contract works, and cash and cash equivalents. Details of these financial instruments are disclosed in the respective notes to the financial statements.

The Group's ordinary activities expose it to various financial risks, including interest rate risk, credit risk and liquidity risk. The risks associated with financial instruments and the policies on how to mitigate these risks are described below. Management monitors closely the Group's exposures to financial risks to ensure appropriate measures are implemented in a timely and effective manner.

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. The Group did not have any debt obligations with floating interest rates as at 31 March 2016.

At 31 March 2015, it is estimated that an increase/decrease of 25 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by HK$75,000. There would be no impact on the other components of the Group's equity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period. For the purpose of the analysis, it is assumed that the amount of variable-rate borrowings outstanding at the end of the reporting period was outstanding throughout the whole year. The 25 basis point increase or decrease represents management assessment of a reasonably possible change in interest rates over the period until the reporting date of the next financial year.

### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from the time deposits denominated in Euro and RMB. The Group did not have any time deposits denominated in Euro and RMB as at 31 March 2016.

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

**Foreign currency risk** *(Continued)*

The following table demonstrates the sensitivity at 31 March 2015 to a reasonably possible change in the Euro and RMB exchange rate, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity:

| | **Increase/ (decrease) in exchange rate** | **Increase/ (decrease) in profit before tax** |
|---|---|---|
| | % | HK$'000 |
| 2015 | | |
| If Euro strengthens against the Hong Kong dollar | 5.00 | 430 |
| If Euro weakens against the Hong Kong dollar | (5.00) | (430) |
| If RMB strengthens against the Hong Kong dollar | 5.00 | 1,985 |
| If RMB weakens against the Hong Kong dollar | (5.00) | (1,985) |

**Credit risk**

The Group's credit risk is primarily attributable to bank balances, and accounts and other receivables. The Group's maximum credit risk exposure at 31 March 2016 and 2015 in the event of other parties failing to perform their obligations is represented by the carrying amount of each financial asset as stated in the consolidated statement of financial position.

Management monitors the creditworthiness and payment pattern of each debtor closely and on an ongoing basis. The Group's accounts receivable from contract works represent interim payments or retentions certified by the customers under the terms as stipulated in the contracts and the Group does not hold any collateral over these receivables. As the project employers in respect of the Group's contract works primarily consist of government departments and developers or owners with strong financial backgrounds, management considers that the risk of irrecoverable receivables from contract works is not significant.

At 31 March 2016, the Group had certain concentrations of credit risk as 2.5% (2015: 20%) of the total accounts receivable were due from the Group's largest external customer and 75.3% (2015: 67%) of the total accounts receivable were due from the Group's five largest external customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts and other receivables are disclosed in notes 17 and 18, respectively, to the financial statements.

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Liquidity risk

The Group's policy is to monitor regularly the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term. In addition, banking facility has been put in place for contingency purposes.

The following table details the remaining contractual maturities at the end of the reporting period 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 as at the end of the reporting period) and the earliest date that the Group could be required to repay:

| | Within 1 year or on demand HK$'000 | In the second year HK$'000 | Total HK$'000 |
|---|---|---|---|
| **As at 31 March 2016** | | | |
| Accounts payable | **14,303** | **8,905** | **23,208** |
| Accruals of costs for contract works | **79,370** | **—** | **79,370** |
| | **93,673** | **8,905** | **102,578** |

| | Within 1 year or on demand HK$'000 | In the second year HK$'000 | Total HK$'000 |
|---|---|---|---|
| **As at 31 March 2015** | | | |
| Accounts payable | 17,626 | 8,477 | 26,103 |
| Accruals of costs for contract works | 60,187 | — | 60,187 |
| Interest-bearing bank loans (note) | 36,066 | — | 36,066 |
| | 113,879 | 8,477 | 122,356 |

Note:

The loan agreements of these bank loans contain a repayment on demand clause giving the bank the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that the related loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default and the fact that the Group has made all previously scheduled repayments on time.

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

**Liquidity risk** *(Continued)*

The maturity profile of the loans as at 31 March 2015, based on the contractual undiscounted payments, including expected interest payments, and ignoring the effect of any repayment on demand clause is as follows:

| | 2015<br>HK$'000 |
|---|---|
| Within one year | 11,765 |
| In the second year | 11,366 |
| In the third to fifth years, inclusive | 8,450 |
| After five years | 6,460 |
| | 38,041 |

**Capital management**

The primary objective of the Group's capital management policy is to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The directors review the capital structure on a periodical basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital and will balance the Group's overall capital structure through new share issues as well as raising new debts or repayment of existing debts.

The Group monitors capital using a gearing ratio, which is interest-bearing bank loans divided by total equity. Total equity refers to equity attributable to equity holders of the parent. The gearing ratios as at the end of the reporting period were as follows:

| | **2016<br>HK$'000** | 2015<br>HK$'000 |
|---|---|---|
| Interest-bearing bank loans | **—** | 36,066 |
| Equity attributable to equity holders of the parent | **253,997** | 246,742 |
| Gearing ratio (%) | **N/A** | 14.6 |

## 33. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform to the current year's presentation and disclosures.

## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period as follows:

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Investments in a subsidiary | 114,352 | 114,352 |
| **CURRENT ASSETS** | | |
| Due from a subsidiary | — | 63,248 |
| Cash and cash equivalents | 50,154 | 29,016 |
| Prepayments, deposits and other receivables | 68,265 | 35 |
| Total current assets | 118,419 | 92,299 |
| **CURRENT LIABILITIES** | | |
| Other payables and accruals | 991 | 64 |
| Due to a subsidiary | 1 | 1 |
| Total current liabilities | 992 | 65 |
| NET CURRENT ASSETS | 117,427 | 92,234 |
| Net assets | 231,779 | 206,586 |
| **EQUITY** | | |
| Issued capital | 4,000 | 4,000 |
| Reserves (note) | 227,779 | 202,586 |
| Total equity | 231,779 | 206,586 |

**Wei Jie**
*Director*

**Jiang Junwei**
*Director*



## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

| | Share premium HK$'000 | Retained profits/ (accumulated losses) HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 21 May 2014 (date of incorporation) | — | — | — |
| Loss and total comprehensive income for the period | — | (12,475) | (12,475) |
| Issue of new shares pursuant to the Reorganisation (note 23(b)) | 114,341 | — | 114,341 |
| Capitalisation Issue (note 23(c)) | (2,990) | — | (2,990) |
| Issue of shares pursuant to the Share Offer (note 23(d)) | 109,000 | — | 109,000 |
| Share issue expenses | (5,290) | — | (5,290) |
| At 31 March 2015 and 1 April 2015 | 215,061 | (12,475) | 202,586 |
| Profits and total comprehensive income for the year | — | 37,193 | 37,193 |
| Final 2015 dividend | (12,000) | — | (12,000) |
| At 31 March 2016 | **203,061** | **24,718** | **227,779** |

## 35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 June 2016.