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

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

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

[REDACTED]

The Directors
Sing On Holdings Limited
Ample Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Sing On Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 (the "Track Record Period"), for inclusion in the document of the Company dated 29 November 2016 (the "Prospectus") in connection with the proposed [REDACTED] of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 5 January 2015. Through a corporate reorganisation as more fully explained in the paragraph headed "Corporate Reorganisation" in Appendix IV "Statutory and General Information" to the Document (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 22 November 2016.

As at the date of this report, the Company has the following wholly-owned subsidiaries:

| Name of subsidiary | Legal form, date and place of incorporation/operations | Issued and fully paid up share capital | Proportion ownership interest held by the Company | Principal activities |
|---|---|---|---|---|
| Platinum Faith Limited ("Platinum Faith") | Limited liability company incorporated on 16 October 2014, the British Virgin Islands (the "BVI") | US$1,000 | 100% (direct) | Investment holding |

| Name of subsidiary | Legal form, date and place of incorporation/operations | Issued and fully paid up share capital | Proportion ownership interest held by the Company | Principal activities |
|---|---|---|---|---|
| Alpha Eastern Holdings Limited ("Alpha Eastern Holdings") | Limited liability company incorporated on 22 January 2016, the BVI | US$1 | 100% (direct) | Investment holding |
| 景聯混凝土鑽鑿有限公司 (translated as Kingland Concrete Drilling Company Limited) ("Kingland Macau") | Limited liability company incorporated on 1 March 2006, Macau | MOP25,000 | 100% (indirect) | Provision of concrete demolition services in Macau |
| Kingland (Sino) Company Limited ("Kingland (Sino)") | Limited liability company incorporated on 16 January 2015, Hong Kong | HK$3 | 100% (indirect) | Provision of concrete demolition services in Hong Kong |

The financial year end date of the companies now comprising the Group is 31 December.

The principal activities of the Group are the provision of concrete demolition services in Hong Kong ("HK Concrete Demolition Business") and Macau mainly as subcontractor.

The Group formerly carried out the HK Concrete Demolition Business through Kingland Concrete Drilling Company Limited ("Kingland Concrete"), a limited liability company incorporated in Hong Kong which is controlled by Mr. Chan Yuk Sing ("Mr. Chan") and Mr. Cheung Shek On ("Mr. Cheung") (collectively referred to as the "Controlling Parties"). Other than the HK Concrete Demolition Business, Kingland Concrete also holds the interest in 42% of the issued capital of 上海龍鑫建築裝飾工程有限公司 (translated as Shanghai Longxin Construction Decoration Engineering Company Limited) ("Shanghai Longxin"), a company established in the People's Republic of China (the "PRC"). As part of the Reorganisation, on 26 January 2015, a business transfer agreement (the "Business Transfer Agreement") was entered into between Kingland Concrete and Kingland (Sino), pursuant to which Kingland Concrete agreed to transfer its business, assets (save and except for the interest in 42% of the issued share capital of Shanghai Longxin), employees and liabilities to Kingland (Sino) (the "Transfer of Business"). As the predecessor and successor companies carry out the HK Concrete Demolition Business have been under the common control of the Controlling Parties throughout the Track Record Period or since their respective date of incorporation where this is a shorter period, the Financial Information has been prepared to present the financial position and operating results of the HK Concrete Demolition Business throughout the Track Record Period as a continuation of existing business from the perspective of the Controlling Parties.

No audited statutory financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement and the Company has not carried on any business other than those transactions relating to the Reorganisation.

No audited statutory financial statements have been prepared for Platinum Faith and Alpha Eastern Holdings since their date of incorporation as they were incorporated in a country where there is no statutory audit requirement.

No audited statutory financial statements have been prepared for Kingland Macau as it is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

The statutory financial statements of Kingland Concrete for the year ended 31 December 2014 were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and were audited by Lai Yiu Hong, Certified Public Accountants (Practising), Hong Kong. For the purpose of this report, the directors of Kingland Concrete have prepared the financial statements of Kingland Concrete for the period from 1 January 2015 to 28 February 2015 (date of completion of the Transfer of Business) in accordance with HKFRS issued by the HKICPA (collectively referred to as the "Kingland Concrete Financial Statements").

The statutory financial statements of Kingland (Sino) for the period ended 31 December 2015 which were prepared in accordance with the HKFRS issued by the HKICPA were audited by Roy Lau, Certified Public Accountants (Practising), Hong Kong.

For the purpose of this report, the directors of the Company have prepared the combined financial statements (which include the Kingland Concrete Financial Statements) of the Group for the Track Record Period (the "Underlying Financial Statements") in accordance with the HKFRS issued by the HKICPA.

We have undertaken an independent audit on the Underlying Financial Statements for the Track Record Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1 of Section II below, and no adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Document.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 to Section II below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 December 2014 and 2015 and 30 June 2016 and of the Company as at 31 December 2015 and 30 June 2016, and of the financial performance and combined cash flows of the Group for the Track Record Period.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the six months ended 30 June 2015 together with the notes thereon have been extracted from the Group's unaudited combined financial information for the same period (the "30 June 2015 Financial Information"), which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2015 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review consists principally of making enquiries of the Group's management and applying analytical and other review procedures to the 30 June 2015 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 June 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRS.

## I FINANCIAL INFORMATION OF THE GROUP

The following is the Financial Information of the Group as at 31 December 2014 and 2015 and 30 June 2016 and for each of the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, presented on the basis set out in Note 1 of Section II below:

**Combined statements of profit or loss and other comprehensive income**

| | Note | Year ended 31 December 2014 HK$'000 | Year ended 31 December 2015 HK$'000 | Six months ended 30 June 2015 HK$'000 (Unaudited) | Six months ended 30 June 2016 HK$'000 |
|---|---|---|---|---|---|
| Revenue | 5 | 117,129 | 120,072 | 51,127 | 60,744 |
| Cost of sales | 6 | (84,842) | (82,006) | (34,489) | (43,035) |
| Gross profit | | 32,287 | 38,066 | 16,638 | 17,709 |
| Other income | 5 | 262 | 87 | 77 | 705 |
| Administrative and other operating expenses | 6 | (19,707) | (19,999) | (8,183) | (14,892) |
| Operating profit | | 12,842 | 18,154 | 8,532 | 3,522 |
| Finance costs | 9 | (366) | (479) | (337) | (148) |
| Profit before income tax | | 12,476 | 17,675 | 8,195 | 3,374 |
| Income tax expense | 10 | (2,200) | (3,478) | (1,251) | (1,337) |
| Profit and total comprehensive income for the year/period attributable to owners of the Company | | 10,276 | 14,197 | 6,944 | 2,037 |
| Attributable to: | | | | | |
| Owners of the Company | | 9,129 | 14,197 | 6,944 | 2,037 |
| Non-controlling interests | | 1,147 | – | – | – |
| | | 10,276 | 14,197 | 6,944 | 2,037 |
| | | HK cents | HK cents | HK cents | HK cents |
| Basic and diluted earnings per share | 11 | 1.81 | 2.82 | 1.38 | 0.40 |

Details of dividends are disclosed in Note 12 to the Financial Information.

**Combined statements of financial position**

| | Note | As at 31 December 2014 HK$'000 | As at 31 December 2015 HK$'000 | As at 30 June 2016 HK$'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 13 | 7,056 | 7,188 | 8,745 |
| **Current assets** | | | | |
| Amounts due from customers for contract work | 15 | 753 | 3,568 | 2,891 |
| Trade and other receivables | 16 | 19,693 | 32,708 | 44,453 |
| Amount due from a director | 17 | 5,637 | 6,568 | 7,335 |
| Amount due from a related company | 19 | 1,587 | 1,637 | 1,661 |
| Cash and cash equivalents | 20 | 4,749 | 19,985 | 8,455 |
| | | 32,419 | 64,466 | 64,795 |
| **Total assets** | | 39,475 | 71,654 | 73,540 |
| **EQUITY** | | | | |
| **Capital and reserves** | | | | |
| Combined capital | 21 | 1,225 | 1,348 | 1,323 |
| Other reserves | | 12,625 | 38,905 | 40,942 |
| **Total equity** | | 13,850 | 40,253 | 42,265 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 22 | 4,253 | 2,101 | 2,024 |
| Provision for long service payments | 23 | 813 | 858 | 875 |
| Deferred taxation | 24 | 496 | 589 | 704 |
| | | 5,562 | 3,548 | 3,603 |
| **Current liabilities** | | | | |
| Amounts due to customers for contract work | 15 | 1,012 | 174 | 820 |
| Trade and other payables | 25 | 13,715 | 18,433 | 17,699 |
| Amount due to a director | 18 | 967 | 3,363 | 2,762 |
| Borrowings | 22 | 1,887 | 1,669 | 1,894 |
| Tax payable | | 2,482 | 4,214 | 4,497 |
| | | 20,063 | 27,853 | 27,672 |
| **Total liabilities** | | 25,625 | 31,401 | 31,275 |
| **Total equity and liabilities** | | 39,475 | 71,654 | 73,540 |
| **Net current assets** | | 12,356 | 36,613 | 37,123 |
| **Total assets less current liabilities** | | 19,412 | 43,801 | 45,868 |

**Statement of financial position**

| | *Note* | **As at 31 December 2015** *HK$'000* | **As at 30 June 2016** *HK$'000* |
|---|---|---|---|
| **Current liabilities** | | | |
| Amount due to subsidiary | | (38) | (38) |
| **Total liabilities** | | (38) | (38) |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | | – | – |
| Other reserves | *30* | (38) | (38) |
| **Total equity** | | (38) | (38) |
| **Total equity and liabilities** | | – | – |
| **Net current liabilities** | | (38) | (38) |
| **Total assets less current liabilities** | | (38) | (38) |

## Combined statements of changes in equity

| | Combined capital | Other reserves: Share premium | Other reserves: Retained earnings | Non-controlling interests | Total equity |
|---|---|---|---|---|---|
| | *HK$'000* *(Note 21)* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Balance at 1 January 2014 | 825 | – | 2,440 | 309 | 3,574 |
| Profit and total comprehensive income for the year | – | – | 9,129 | 1,147 | 10,276 |
| Acquisition of non-controlling interests *(Note (i))* | 400 | – | 1,056 | (1,456) | – |
| Balance at 31 December 2014 | 1,225 | – | 12,625 | – | 13,850 |
| Balance at 1 January 2015 | 1,225 | – | 12,625 | – | 13,850 |
| Profit and total comprehensive income for the year | – | – | 14,197 | – | 14,197 |
| Interim dividend declared *(Note 12)* | – | – | (2,800) | – | (2,800) |
| Transfer to share capital upon the Transfer of Business *(Note (ii))* | 115 | – | (115) | – | – |
| Shares issued *(Note (iii))* | 8 | 14,998 | – | – | 15,006 |
| Balance at 31 December 2015 | 1,348 | 14,998 | 23,907 | – | 40,253 |
| Balance at 1 January 2016 | 1,348 | 14,998 | 23,907 | – | 40,253 |
| Profit and total comprehensive income for the period | – | – | 2,037 | – | 2,037 |
| Effect of Reorganisation *(Note iv)* | (25) | – | – | – | (25) |
| Balance at 30 June 2016 | 1,323 | 14,998 | 25,944 | – | 42,265 |
| (Unaudited) | | | | | |
| Balance at 1 January 2015 | 1,225 | – | 12,625 | – | 13,850 |
| Profit and total comprehensive income for the period | – | – | 6,944 | – | 6,944 |
| Interim dividend declared *(Note 12)* | – | – | (2,800) | – | (2,800) |
| Transfer to share capital upon the Transfer of Business *(Note (ii))* | 115 | – | (115) | – | – |
| Balance at 30 June 2015 | 1,340 | – | 16,654 | – | 17,994 |

*Notes:*

(i) On 21 November 2014, each of the Controlling Parties acquired 50 shares in Kingland Concrete from the non-controlling interests individual at a consideration of HK$1.

(ii) On 28 February 2015, pursuant to the Business Transfer Agreement, Kingland Concrete transferred its business, assets (save and except for the interest in 42% of the issued share capital of Shanghai Longxin), employees and liabilities to Kingland (Sino). In consideration thereof, one fully paid ordinary share was allotted and issued by Kingland (Sino) to each of the Controlling Parties.

(iii) On 24 December 2015, 250 fully paid shares in Platinum Faith were allotted and issued to Applewood Developments Limited at the consideration of HK$15,000,000. On the same day, 374 fully paid shares in Platinum Faith were allotted and issued to each of the Controlling Parties at the consideration of US$374, respectively.

(iv) On 15 March 2016, Alpha Eastern Holdings acquired the entire equity interest in Kingland Macau from Mr. Mak and Ms. Mak (as instructed by Mr. Cheung and Mr. Chan as beneficial owners), at the nominal consideration of MOP12,500 and MOP12,500, respectively.

**Combined statements of cash flows**

| | Note | Year ended 31 December 2014 HK$'000 | Year ended 31 December 2015 HK$'000 | Six months ended 30 June 2015 HK$'000 (Unaudited) | Six months ended 30 June 2016 HK$'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Net cash generated from/(used in) operations | 26 | 10,157 | 8,989 | 778 | (6,611) |
| Tax paid | | (2,978) | (1,653) | (542) | (939) |
| **Net cash generated from/(used in) operating activities** | | 7,179 | 7,336 | 236 | (7,550) |
| **Cash flows from investing activities** | | | | | |
| Decrease/(increase) in amount due from a related company | | 4 | (50) | (26) | (24) |
| Increase in amount due from a director | | (4,472) | (2,331) | (494) | (780) |
| Purchases of property, plant and equipment | | (305) | (2,872) | (553) | (1,175) |
| Proceeds from disposal of property, plant and equipment | | 185 | – | – | – |
| **Net cash used in investing activities** | | (4,588) | (5,253) | (1,073) | (1,979) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issue of shares | | – | 15,006 | – | – |
| Increase/(decrease) in amount due to a director | | 987 | 996 | 618 | (613) |
| Repayment of finance leases | | (2,117) | (2,370) | (1,577) | (1,240) |
| Interest paid on finance leases | | (366) | (479) | (337) | (148) |
| **Net cash (used in)/generated from financing activities** | | (1,496) | 13,153 | (1,296) | (2,001) |
| **Net increase/(decrease) in cash and cash equivalents** | | 1,095 | 15,236 | (2,133) | (11,530) |
| **Cash and cash equivalents at beginning of year/period** | | 3,654 | 4,749 | 4,749 | 19,985 |
| **Cash and cash equivalents at end of year/period** | 20 | 4,749 | 19,985 | 2,616 | 8,455 |

# II NOTES TO THE FINANCIAL INFORMATION

## 1 GENERAL INFORMATION AND BASIS OF PRESENTATION OF THE FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 January 2015 as an exempted company with limited liability. The addresses of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" of the Document. The Company is an investment holding company. The Group is principally engaged in the provision of concrete demolition services in Hong Kong and Macau mainly as a subcontractor.

In preparation for the [REDACTED] of the Company's shares on the GEM of the Stock Exchange, the Group underwent the Reorganisation which mainly involved interspersing shell entities and transferring the HK Concrete Demolition Business from Kingland Concrete to Kingland (Sino), which is also under the common control of the Controlling Parties. On 26 January 2015, Kingland (Sino) entered into the Business Transfer Agreement with Kingland Concrete, pursuant to which Kingland Concrete ceased the HK Concrete Demolition Business and transferred the HK Concrete Demolition Business to Kingland (Sino) on 28 February 2015. All assets and liabilities of Kingland Concrete were transferred to Kingland (Sino), except the interest in 42% of the issued share capital of Shanghai Longxin which are retained by Kingland Concrete after the Transfer of Business.

Throughout the Track Record Period, the business was under the control of the Controlling Parties. Through the Reorganisation as more fully explained in the paragraph headed "Corporate Reorganisation" in Appendix IV "Statutory and General Information" to the Document, the Company became the holding company of the companies now comprising the Group on 22 November 2016. Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of the Controlling Parties prior to and after the Reorganisation.

The Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the business of the Group, have been prepared as if the business had always been operated by the Group and the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the business of the Group as if the business had always been operated by the Group and the current group structure had been in existence at those dates taking into account the respective date of incorporation, where applicable.

The Financial Information is presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of presentation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with the HKFRS issued by the HKICPA are set out below. The Financial Information set out in this report has been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of the Financial Information in accordance with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4 below.

*Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the Track Record Period and which the Group has not early adopted:

| | | **Effective for accounting periods of the Group beginning on or after** |
|---|---|---|
| HKFRS 9 | Financial Instruments | 1 January 2018 |
| HKFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| HKFRS 16 | Leases | 1 January 2019 |
| Amendments to HKAS 7 | Disclosure Initiative | 1 January 2017 |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | A date to be determined |

**HKFRS 15 Revenue from contracts with customers**

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 ″Revenue″ and HKAS 11 ″Construction Contracts″ and related interpretations. The Group is assessing the impact of HKFRS 15; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

**HKFRS 16 Leases**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these Financial Information. The directors of the Company anticipate that the application of HKFRS 16 in the future will have an impact on the Group's financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

The directors of the Company anticipate that the application of the other new standards and amendments will have no material impact on the Financial Information of the Group.

**(b) Consolidation and combination**

The combined financial information includes the financial information of the Company and all its subsidiaries made up to respective year end dates during the Track Record Period.

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

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(c) Transaction with non-controlling interests**

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**(d) Merger accounting for common control combinations**

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

**(e) Segment reporting**

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

**(f) Foreign currency translation**

*(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

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

**(g) Property, plant and equipment**

The property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

| | |
|---|---|
| Plant and machinery | 25% |
| Furniture and fixtures | 20% |
| Office equipment | 20% |
| Motor vehicles | 20% |

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined statement of profit or loss and other comprehensive income.

**(h) Impairment of non-financial assets**

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

**(i) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the combined statement of profit or loss and other comprehensive income on a straight-line basis over the period of lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the combined statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

**(j) Construction contracts in progress**

Construction work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. Cost comprises construction material costs, labour and overheads expenses incurred in bringing the work-in-progress to its present condition.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within trade and retention receivables. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

**(k) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amount due from a director", "amount due from a related company" and "cash and cash equivalents" in the combined statement of financial position.

**(l) Impairment of financial assets**

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

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

**(m) Trade and other receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**(n) Cash and cash equivalents**

In the combined statement of cash flow, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

**(o) Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(p) Trade and other payables**

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

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

**(q) Borrowings**

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

**(r) Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(s) Current and deferred income tax**

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

**(t) Employee benefits**

*(i) Employee leave entitlements*

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

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

*(ii) Retirement benefits*

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

*(iii) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

*(iv) Bonus plans*

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

**(u) Provisions**

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

**(v) Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

**(w) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

*(a) Provision of concrete demolition service*

Revenue from provision of concrete demolition services is recognised based on the stage of completion of the jobs, provided that the stage of jobs completion and the gross billing value of the jobs can be measured reliably. Progress billing is made according to the stage of job completion by reference to the work done as reviewed and approved by the customers.

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

*(b) Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

**(x) 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 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 key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

**(y) Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial information in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

## 3 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

*(i) Interest rate risk*

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group does not expose to cash flow interest rate risk arising from its borrowings as the Group's finance lease liabilities are at fixed interest rates. The Group currently does not hedge its exposure to the interest rate risk as the management of the Group consider that the risk is insignificant.

*(ii) Foreign currency risk*

The Group has transactional currency exposures. Such exposures mainly arise from purchases by operating units in currencies other than the units' functional currencies. Some of our purchases, such as those of certain consumables and machinery parts that are imported from places outside Hong Kong, are denominated in currencies other than Hong Kong dollars, such as US$, MOP and RMB. For each of the two years ended 31 December 2014 and 2015 and six months ended 30 June 2016, our purchases denominated in currencies other than Hong Kong dollars amounted to approximately HK$8.5 million, HK$4.0 million and HK$2.8 million respectively, representing approximately 26.3%, 12.0% and 19.0% of our total purchases of the respective years/period. As the management of the Group consider that the foreign currency risk is insignificant, they do not engage in any hedging activity.

As at 31 December 2014 and 2015 and 30 June 2016, if HK$ had weakened/strengthened by 5% against the MOP with all other variables held constant, the Group's profit after income tax for the year would have been increased/decreased by approximately HK$3,000, HK$4,000 and HK$1,000 respectively, mainly as a result of forward exchange gains/losses on translation of MOP denominated trade payables and forward exchange losses/gains on translation of MOP denominated cash at banks.

*(iii) Credit risk*

Credit risk arises mainly from trade and other receivables, amount due from a director, amount due from a related company and cash at banks. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 December 2014 and 2015 and 30 June 2016, there were 2, 4 and 2 customers which individually contributed over 10% of the Group's trade and other receivables, respectively. The aggregate amount of trade and other receivables from these customers amounted to 59%, 55% and 35% of the Group's total trade and other receivables as at 31 December 2014 and 2015 and 30 June 2016 respectively.

*(iv) Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient cash and cash equivalents to fund their operations.

The following table details the remaining contractual maturities at the year/period end dates during the Track Record 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 current at the year/period end dates during the Track Record Period) and the earliest date the Group may be required to pay:

| | **On demand or within one year** *HK$'000* | **Between one and two years** *HK$'000* | **Between two and five years** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| At 31 December 2014 | | | | |
| Trade and other payables | 13,715 | – | – | 13,715 |
| Amount due to a director | 967 | – | – | 967 |
| Borrowings | 2,173 | 1,825 | 2,674 | 6,672 |
| | 16,855 | 1,825 | 2,674 | 21,354 |
| At 31 December 2015 | | | | |
| Trade and other payables | 18,433 | – | – | 18,433 |
| Amount due to a director | 3,363 | – | – | 3,363 |
| Borrowings | 1,867 | 1,867 | 321 | 4,055 |
| | 23,663 | 1,867 | 321 | 25,851 |
| At 30 June 2016 | | | | |
| Trade and other payables | 17,699 | – | – | 17,699 |
| Amount due to a director | 2,762 | – | – | 2,762 |
| Borrowings | 2,064 | 1,512 | 594 | 4,170 |
| | 22,525 | 1,512 | 594 | 24,631 |

### (b) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities as at each year/period end divided by the total equity as at each year/period end.

The gearing ratios during the Track Record Period are as follows:

| | As at 31 December 2014 | As at 31 December 2015 | As at 30 June 2016 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Total borrowings *(Note 22)* | 6,140 | 3,770 | 3,918 |
| Total equity | 13,850 | 40,253 | 42,265 |
| Gearing ratio | 44% | 9% | 9% |

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### (a) Useful lives and impairment of property, plant and equipment

The Group has significant investments in property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including decline in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/ or makes impairment provisions according to the results of the review.

Impairment of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgement is required in the area of asset impairment particularly in assessing; (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

**(b) Impairment of receivables**

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each statement of financial position date.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

**(c) Percentage of completion of construction works**

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

## 5 REVENUE AND SEGMENT INFORMATION

Revenue and other income recognised during the respective years/periods are as follows:

| | **Year ended 31 December 2014** | **Year ended 31 December 2015** | **Six months ended 30 June 2015** | **Six months ended 30 June 2016** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | (Unaudited) | |
| **Revenue** | | | | |
| Provision of concrete demolition services | 117,129 | 120,072 | 51,127 | 60,744 |
| **Other income** | | | | |
| Sundry income | 77 | 87 | 77 | 26 |
| Gain on disposal of property, plant and equipment | 185 | – | – | 679 |
| | 262 | 87 | 77 | 705 |

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors regards the Group's business as a single operating segment and reviews Financial Information accordingly.

**Geographical information**

The Group primarily operates in Hong Kong and Macau, and its revenue is derived from the following regions:

| | Year ended 31 December 2014 | Year ended 31 December 2015 | Six months ended 30 June 2015 | Six months ended 30 June 2016 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* (Unaudited) | *HK$'000* |
| **Revenue (by location of customers)** | | | | |
| – Hong Kong | 61,344 | 108,432 | 40,685 | 56,243 |
| – Macau | 55,785 | 11,640 | 10,442 | 4,501 |
| | 117,129 | 120,072 | 51,127 | 60,744 |

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

| | Year ended 31 December 2014 | Year ended 31 December 2015 | Six months ended 30 June 2015 | Six months ended 30 June 2016 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* (Unaudited) | *HK$'000* |
| Customer A | 53,400 | N/A[1] | 7,205 | N/A[1] |
| Customer B | 34,845 | N/A[1] | N/A[1] | 13,299 |
| Customer C | N/A[1] | 24,672 | 9,494 | N/A[1] |
| Customer D | N/A[1] | 16,932 | N/A[1] | N/A[1] |
| Customer E | N/A[1] | N/A[1] | N/A[1] | 13,539 |
| Customer F | N/A[1] | N/A[1] | 10,034 | N/A[1] |

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant periods.

## 6 EXPENSES BY NATURE

| | Year ended 31 December 2014 | Year ended 31 December 2015 | Six months ended 30 June 2015 | Six months ended 30 June 2016 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | (Unaudited) | |
| Cost of sales | | | | |
| Depreciation of owned assets *(Note 13)* | 732 | 881 | 393 | 581 |
| Depreciation of assets under finance lease *(Note 13)* | 188 | – | – | – |
| Fuel and oil | 1,024 | 491 | 165 | 345 |
| Machinery rental cost | 4,847 | 8,126 | 1,725 | 2,942 |
| Motor vehicles expense | 597 | 682 | 281 | 335 |
| Repairs and maintenance | 314 | 329 | 235 | 102 |
| Materials and consumables | 19,640 | 14,581 | 8,190 | 7,740 |
| Staff costs *(Note 7)* | 24,200 | 20,150 | 9,210 | 12,246 |
| Subcontracting charges | 27,426 | 27,576 | 12,177 | 15,497 |
| Transportation | 5,229 | 8,362 | 1,914 | 2,761 |
| Other direct costs | 645 | 828 | 199 | 486 |
| | 84,842 | 82,006 | 34,489 | 43,035 |
| Administrative and other operating expenses | | | | |
| Auditors' remuneration | 50 | 50 | – | – |
| Building management fee | 101 | 102 | 54 | 67 |
| Depreciation of owned assets *(Note 13)* | 5 | 295 | 162 | 271 |
| Depreciation of assets under finance lease *(Note 13)* | 1,898 | 1,564 | 782 | 833 |
| Entertainment | 1,730 | 1,348 | 747 | 1,387 |
| Written off of an amount due from a related party | 733 | – | – | – |
| Insurance | 999 | 940 | 432 | 423 |
| Legal and professional fees | 1,811 | 160 | 22 | – |
| Listing expenses | 1,733 | 4,412 | 613 | 5,096 |
| Operating lease rental on premises | 1,874 | 2,085 | 1,037 | 1,056 |
| Staff costs, including directors' emoluments *(Note 7)* | 6,424 | 7,375 | 3,495 | 4,495 |
| Travelling | 255 | 110 | 83 | 59 |
| Other expenses | 2,094 | 1,558 | 756 | 1,205 |
| | 19,707 | 19,999 | 8,183 | 14,892 |

## 7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

| | **Year ended 31 December 2014** | **Year ended 31 December 2015** | **Six months ended 30 June 2015** | **Six months ended 30 June 2016** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | (Unaudited) | |
| Salaries and allowances | 29,775 | 26,577 | 12,280 | 16,155 |
| Retirement scheme contributions | | | | |
| – defined contribution plan | 849 | 948 | 425 | 586 |
| | 30,624 | 27,525 | 12,705 | 16,741 |

The Group operates a defined contribution scheme in Hong Kong which complies with the requirements under the Mandatory Provident Fund ("MPF") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

## 8 DIRECTORS' EMOLUMENTS

### (a) Directors' emoluments

The remuneration of each director for the Track Record Period is set out below:

| | Fee | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Year ended 31 December 2014** | | | | | |
| *Executive directors* | | | | | |
| Mr. Chan | – | 707 | 100 | 17 | 824 |
| Mr. Cheung | – | 1,062 | 100 | 17 | 1,179 |
| | – | 1,769 | 200 | 34 | 2,003 |
| **Year ended 31 December 2015** | | | | | |
| *Executive directors* | | | | | |
| Mr. Chan | – | 600 | 100 | 18 | 718 |
| Mr. Cheung | – | 1,075 | 100 | 18 | 1,193 |
| | – | 1,675 | 200 | 36 | 1,911 |
| **Six months ended 30 June 2016** | | | | | |
| *Executive directors* | | | | | |
| Mr. Chan | – | 369 | – | 9 | 378 |
| Mr. Cheung | – | 607 | – | 9 | 616 |
| | – | 976 | – | 18 | 994 |
| **Six months ended 30 June 2015 (Unaudited)** | | | | | |
| *Executive directors* | | | | | |
| Mr. Chan | – | 300 | – | 9 | 309 |
| Mr. Cheung | – | 538 | – | 9 | 547 |
| | – | 838 | – | 18 | 856 |

Mr. Chan and Mr. Cheung were appointed as executive directors of the Company on 5 January 2015. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

Mr. Kuan Hong Kin Daniel was appointed as non-executive director of the Company on 30 August 2016. During the Track Record Period, the non-executive director has not yet been appointed and received nil director's remuneration in the capacity of director.

Mr. Chan Ngai Sang Kenny, Mr. Chow Chun To and Mr. Yam Chiu Fan Joseph were appointed as independent non-executive directors of the Company on 22 November 2016. During the Track Record Period, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period.

**(b) Five highest paid individuals**

Of the five individuals with the highest emoluments, 2 of them are directors for the years ended 31 December 2014 and 2015 and six months ended 30 June 2015 and 2016 whose emoluments are disclosed above. The emoluments in respect of the remaining 3 individuals for the years ended 31 December 2014 and 2015 and six months ended 30 June 2015 and 2016 are as follows:

| | Year ended 31 December 2014 | Year ended 31 December 2015 | Six months ended 30 June 2015 | Six months ended 30 June 2016 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | (Unaudited) | |
| Salaries and allowances | 2,297 | 2,505 | 1,063 | 1,274 |
| Discretionary bonuses | 343 | 300 | – | – |
| Retirement scheme contributions | 39 | 54 | 27 | 27 |
| | 2,679 | 2,859 | 1,090 | 1,301 |

The emoluments fell within the following band:

| | Number of individuals | | | |
|---|---|---|---|---|
| | Year ended 31 December 2014 | Year ended 31 December 2015 | Six months ended 30 June 2015 | Six months ended 30 June 2016 |
| | | | (Unaudited) | |
| Emoluments band (in HK$) | | | | |
| Nil – HK$1,000,000 | 3 | 2 | 3 | 3 |
| HK$1,000,001 – HK$1,500,000 | – | 1 | – | – |

During the Track Record Period, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

**9 FINANCE COSTS**

| | Year ended 31 December 2014 | Year ended 31 December 2015 | Six months ended 30 June 2015 | Six months ended 30 June 2016 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | (Unaudited) | |
| Interest on finance leases | 366 | 479 | 337 | 148 |

## 10 INCOME TAX EXPENSE

For the years ended 31 December 2014 and 2015 and six months ended 30 June 2015 and 2016, Hong Kong profits tax has been provided at the rate of 16.5% and Macau profits tax has been provided at the rate of 12% on the estimated assessable profit arising in or derived from the jurisdictions in which the entities operate for the year/period.

| | Year ended 31 December 2014 | Year ended 31 December 2015 | Six months ended 30 June 2015 | Six months ended 30 June 2016 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* (Unaudited) | *HK$'000* |
| **Current tax** | | | | |
| Hong Kong | | | | |
| – Current year/period | 798 | 2,801 | 1,081 | 1,193 |
| – Under-provision in prior year/period | – | 13 | 13 | – |
| | 798 | 2,814 | 1,094 | 1,193 |
| Macau | | | | |
| – Current year/period | 1,374 | 571 | 480 | 29 |
| **Deferred tax** *(Note 24)* | 28 | 93 | (323) | 115 |
| **Income tax expense** | 2,200 | 3,478 | 1,251 | 1,337 |

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

| | Year ended 31 December 2014 | Year ended 31 December 2015 | Six months ended 30 June 2015 | Six months ended 30 June 2016 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* (Unaudited) | *HK$'000* |
| Profit before income tax | 12,476 | 17,675 | 8,195 | 3,374 |
| Calculated at a tax rate of 16.5% | 2,058 | 2,916 | 1,352 | 557 |
| Expenses not deductible for tax purposes | 707 | 896 | 199 | 890 |
| Temporary differences not recognised | – | (44) | (44) | – |
| Tax concession | (36) | (76) | (76) | (72) |
| Effect of different tax rate of group entity operating in jurisdiction other than Hong Kong | (529) | (227) | (193) | (38) |
| Adjustment in respect of prior year/period | – | 13 | 13 | – |
| Income tax expense | 2,200 | 3,478 | 1,251 | 1,337 |

## 11 EARNINGS PER SHARE

For the purpose of this report, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company for the Track Record Period and (ii) the weighted average number of [REDACTED] shares (comprising 1,000 shares in issue and [REDACTED] shares to be issued under the [REDACTED] as described in Appendix IV "Statutory and General Information" to the Document) as if these [REDACTED] shares were outstanding throughout the Track Record Period.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary share in issue during the Track Record Period.

## 12 DIVIDENDS

| | Year ended 31 December 2014 | Year ended 31 December 2015 | Six months ended 30 June 2015 | Six months ended 30 June 2016 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* (Unaudited) | *HK$'000* |
| Interim dividend | – | 2,800 | 2,800 | – |

No dividend has been paid or declared by the Company since its incorporation. The above amount represented the dividends paid by Kingland Concrete to their then equity holders prior to the Reorganisation. Such interim dividend has been settled by current accounts with the directors.

Subsequent to the year ended 31 December 2015, in November 2016, interim dividends of HK$8,900,000 were appropriated to the then shareholders of the Company.

The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful having regard to the purpose of this report.

## 13 PROPERTY, PLANT AND EQUIPMENT

| | Plant and machinery HK$'000 (Note a) | Furniture and fixtures HK$'000 | Office equipment HK$'000 | Motor vehicles HK$'000 (Note b) | Total HK$'000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 January 2014 | 11,226 | 810 | 201 | 7,628 | 19,865 |
| Additions | – | – | – | 2,874 | 2,874 |
| Disposals | – | – | – | (657) | (657) |
| At 31 December 2014 | 11,226 | 810 | 201 | 9,845 | 22,082 |
| Accumulated depreciation | | | | | |
| At 1 January 2014 | 9,277 | 805 | 201 | 2,577 | 12,860 |
| Charge for the year *(Note 6)* | 920 | 5 | – | 1,898 | 2,823 |
| Disposals | – | – | – | (657) | (657) |
| At 31 December 2014 | 10,197 | 810 | 201 | 3,818 | 15,026 |
| Net book value | | | | | |
| At 31 December 2014 | 1,029 | – | – | 6,027 | 7,056 |
| Cost | | | | | |
| At 1 January 2015 | 11,226 | 810 | 201 | 9,845 | 22,082 |
| Additions | 2,728 | 107 | 37 | – | 2,872 |
| Disposals | – | (810) | (201) | – | (1,011) |
| At 31 December 2015 | 13,954 | 107 | 37 | 9,845 | 23,943 |
| Accumulated depreciation | | | | | |
| At 1 January 2015 | 10,197 | 810 | 201 | 3,818 | 15,026 |
| Charge for the year *(Note 6)* | 881 | 4 | 1 | 1,854 | 2,740 |
| Disposals | – | (810) | (201) | – | (1,011) |
| At 31 December 2015 | 11,078 | 4 | 1 | 5,672 | 16,755 |
| Net book value | | | | | |
| At 31 December 2015 | 2,876 | 103 | 36 | 4,173 | 7,188 |
| Cost | | | | | |
| At 1 January 2016 | 13,954 | 107 | 37 | 9,845 | 23,943 |
| Additions | 730 | – | – | 2,523 | 3,253 |
| Disposals | – | – | – | (1,228) | (1,228) |
| At 30 June 2016 | 14,684 | 107 | 37 | 11,140 | 25,968 |
| Accumulated depreciation | | | | | |
| At 1 January 2016 | 11,078 | 4 | 1 | 5,672 | 16,755 |
| Charge for the period *(Note 6)* | 581 | 13 | 4 | 1,087 | 1,685 |
| Disposals | – | – | – | (1,217) | (1,217) |
| At 30 June 2016 | 11,659 | 17 | 5 | 5,542 | 17,223 |
| Net book value | | | | | |
| At 30 June 2016 | 3,025 | 90 | 32 | 5,598 | 8,745 |

*Notes:*

(a) Plant and machinery includes the following amounts where the Group is a lessee under finance leases:

| | As at 31 December 2014 | As at 31 December 2015 | As at 30 June 2016 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Cost – capitalised finance leases | 750 | – | – |
| Accumulated depreciation | (281) | – | – |
| **Net book value** | 469 | – | – |

(b) Motor vehicles include the following amounts where the Group is a lessee under finance leases:

| | As at 31 December 2014 | As at 31 December 2015 | As at 30 June 2016 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Cost – capitalised finance leases | 9,845 | 7,818 | 8,472 |
| Accumulated depreciation | (3,818) | (3,788) | (3,627) |
| **Net book value** | 6,027 | 4,030 | 4,845 |

## 14 FINANCIAL INSTRUMENTS BY CATEGORY

| | As at 31 December 2014 | As at 31 December 2015 | As at 30 June 2016 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Financial assets** | | | |
| Loans and receivables | | | |
| Trade and other receivables excluding prepayments | 18,497 | 30,363 | 39,428 |
| Amount due from a director | 5,637 | 6,568 | 7,335 |
| Amount due from a related company | 1,587 | 1,637 | 1,661 |
| Cash and cash equivalents | 4,749 | 19,985 | 8,455 |
| **Total** | 30,470 | 58,553 | 56,879 |
| **Financial liabilities** | | | |
| Financial liabilities at amortised cost | | | |
| Trade and other payables | 13,715 | 18,433 | 17,699 |
| Amount due to a director | 967 | 3,363 | 2,762 |
| Finance lease liabilities | 6,140 | 3,770 | 3,918 |
| **Total** | 20,822 | 25,566 | 24,379 |

## 15 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

| | As at 31 December 2014 | As at 31 December 2015 | As at 30 June 2016 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Amounts due from customers for contract work: | | | |
| Contract costs incurred plus recognised profits less recognised losses | 54,758 | 95,341 | 69,150 |
| Less: Progress billings received and receivables | (54,005) | (91,773) | (66,259) |
| | 753 | 3,568 | 2,891 |
| Amounts due to customers for contract work: | | | |
| Progress billings received and receivables | 64,534 | 4,636 | 4,452 |
| Less: Contracts costs incurred plus recognised profits less recognised losses | (63,522) | (4,462) | (3,632) |
| | 1,012 | 174 | 820 |

## 16 TRADE AND OTHER RECEIVABLES

| | As at 31 December 2014 | As at 31 December 2015 | As at 30 June 2016 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Contract receivables | 8,754 | 19,240 | 23,774 |
| Retention receivables | 8,708 | 9,971 | 12,725 |
| Total trade receivables | 17,462 | 29,211 | 36,499 |
| Other receivables, deposits and prepayments | 2,231 | 3,497 | 7,954 |
| | 19,693 | 32,708 | 44,453 |

*Notes:*

(a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The credit period granted to customers is ranged from 14 to 60 days. Trade receivables are mainly usual denominated in HK$.

(b) The ageing analysis of the contract receivables based on invoice date is as follows:

| | As at 31 December 2014 HK$'000 | As at 31 December 2015 HK$'000 | As at 30 June 2016 HK$'000 |
|---|---|---|---|
| 0-30 days | 4,393 | 4,202 | 9,207 |
| 31-60 days | 3,479 | 4,852 | 10,300 |
| 61-90 days | 397 | 2,460 | 1,406 |
| 91-365 days | 260 | 7,350 | 2,495 |
| Over 365 days | 225 | 376 | 366 |
| | 8,754 | 19,240 | 23,774 |

Contract receivables of approximately HK$4,393,000, HK$15,013,000 and HK$9,429,000 as at 31 December 2014 and 2015 and 30 June 2016 respectively, were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

| | As at 31 December 2014 HK$'000 | As at 31 December 2015 HK$'000 | As at 30 June 2016 HK$'000 |
|---|---|---|---|
| 0-30 days | 3,786 | 3,585 | 5,221 |
| 31-60 days | 6 | 3,471 | 1,341 |
| 61-90 days | 121 | 4,789 | 474 |
| 91-365 days | 255 | 2,806 | 2,027 |
| Over 365 days | 225 | 362 | 366 |
| | 4,393 | 15,013 | 9,429 |

Retention receivables were not yet past due as at 31 December 2014 and 2015 and 30 June 2016, and were settled in accordance with the terms of respective contract.

(c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

## 17 AMOUNT DUE FROM A DIRECTOR

Particulars of amount due from a director are as follows:

| Name | As at 31 December 2014 HK$'000 | Maximum balance outstanding during the year ended 31 December 2014 HK$'000 | As at 31 December 2015 HK$'000 | Maximum balance outstanding during the year ended 31 December 2015 HK$'000 | As at 30 June 2016 HK$'000 | Maximum balance outstanding during the period ended 30 June 2016 HK$'000 |
|---|---|---|---|---|---|---|
| Mr. Chan | 5,637 | 5,656 | 6,568 | 7,968 | 7,335 | 7,335 |

The balance is denominated in HK$. The amount due from a director was unsecured, non-interest bearing and had no fixed terms of repayment.

## 18 AMOUNT DUE TO A DIRECTOR

Particulars of amount due to a director are as follows:

| Name | As at 31 December 2014 | As at 31 December 2015 | As at 30 June 2016 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Mr. Cheung | 967 | 3,363 | 2,762 |

The balance is denominated in HK$. The amount due to a director was unsecured, non-interest bearing and had no fixed terms of repayment.

## 19 AMOUNT DUE FROM A RELATED COMPANY

Particulars of amount due from a related company are as follows:

| Name of company | Interested director | As at 31 December 2014 | Maximum balance outstanding during the year ended 31 December 2014 | As at 31 December 2015 | Maximum balance outstanding during the year ended 31 December 2015 | As at 30 June 2016 | Maximum balance outstanding during the period ended 30 June 2016 |
|---|---|---|---|---|---|---|---|
| | | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Yuet Tung Trading Co | Mr. Chan and Mr. Cheung | 1,587 | 1,587 | 1,637 | 1,637 | 1,661 | 1,661 |

The balance is denominated in HK$. The amount was unsecured, non-interest bearing and had no fixed terms of repayment.

## 20 CASH AND CASH EQUIVALENTS

| | As at 31 December 2014 | As at 31 December 2015 | As at 30 June 2016 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Cash at banks | 4,749 | 19,985 | 8,455 |
| Cash and cash equivalents | 4,749 | 19,985 | 8,455 |

*Notes:*

(a) The carrying amounts of the cash and cash equivalents were denominated in the following currencies:

| | As at 31 December 2014 | As at 31 December 2015 | As at 30 June 2016 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| HK$ | 4,680 | 19,969 | 8,364 |
| MOP | 69 | 16 | 91 |
| | 4,749 | 19,985 | 8,455 |

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

## 21 COMBINED CAPITAL

| | As at 31 December 2014 *HK$'000* | As at 31 December 2015 *HK$'000* | As at 30 June 2016 *HK$'000* |
|---|---|---|---|
| Combined capital | 1,225 | 1,348 | 1,323 |

For the purpose of the preparation of the combined statement of financial position, the balance of combined capital at 31 December 2014 and 2015 and 30 June 2016 represents the aggregate of the paid up share capital of the entities comprising the Group prior to the Reorganisation.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 5 January 2015 with an initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each and two shares were issued thereafter.

## 22 BORROWINGS

| | As at 31 December 2014 *HK$'000* | As at 31 December 2015 *HK$'000* | As at 30 June 2016 *HK$'000* |
|---|---|---|---|
| **Non-current** | | | |
| Finance lease liabilities *(Note a)* | 4,253 | 2,101 | 2,024 |
| **Current** | | | |
| Finance lease liabilities *(Note a)* | 1,887 | 1,669 | 1,894 |
| **Total borrowings** | 6,140 | 3,770 | 3,918 |

*Notes:*

(a) Finance lease liabilities

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

| | As at 31 December 2014 *HK$'000* | As at 31 December 2015 *HK$'000* | As at 30 June 2016 *HK$'000* |
|---|---|---|---|
| Gross finance lease liabilities – minimum lease payments | | | |
| Within 1 year | 2,173 | 1,867 | 2,064 |
| Later than 1 year and no later than 2 years | 1,825 | 1,867 | 1,512 |
| Later than 2 years and no later than 5 years | 2,674 | 321 | 594 |
| | 6,672 | 4,055 | 4,170 |
| Future finance charges on finance leases | (532) | (285) | (252) |
| Present value of finance lease liabilities | 6,140 | 3,770 | 3,918 |

The present value of finance lease liabilities is as follows:

| | As at 31 December 2014 | As at 31 December 2015 | As at 30 June 2016 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Within 1 year | 1,887 | 1,669 | 1,894 |
| Later than 1 year and no later than 2 years | 1,685 | 1,782 | 1,455 |
| Later than 2 years and no later than 5 years | 2,568 | 319 | 569 |
| | 6,140 | 3,770 | 3,918 |

The Group's machinery with aggregate net book value of approximately HK$469,000, HK$Nil and HK$Nil as at 31 December 2014 and 2015 and 30 June 2016 respectively (Note 13) are secured as the rights to the leased assets revert to the lessors in the event of default.

The Group's motor vehicles with aggregate net book value of approximately HK$6,027,000, HK$4,030,000 and HK$4,845,000 as at 31 December 2014 and 2015 and 30 June 2016 respectively (Note 13) are secured as the rights to the leased assets revert to the lessors in the event of default.

The carrying amounts of all finance lease liabilities are denominated mainly in HK$.

(b) As at 31 December 2014, the Group had committed finance lease facilities of approximately HK$6,140,000 which bore interest at 1.75% to 4.5% per annum.

As at 31 December 2015, the Group had committed finance lease facilities of approximately HK$3,770,000 which bore interest at 3.5% per annum.

As at 30 June 2016, the Group had committed finance lease facilities of approximately HK$3,918,000 which bore interest at 2.0% to 3.5% per annum.

## 23 PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is obligated to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations. The long service payments are paid out from the Group's cash at banks when such payments are required. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group at the end of each of the reporting period.

| | *HK$'000* |
|---|---|
| At 1 January 2014 | 844 |
| Credited to profit or loss | (31) |
| At 31 December 2014 | 813 |
| Charged to profit or loss | 45 |
| At 31 December 2015 | 858 |
| Charged to profit or loss | 17 |
| At 30 June 2016 | 875 |

## 24 DEFERRED TAXATION

The movements in deferred tax liabilities during the Track Record Period are as follows:

| | **Accelerated tax depreciation** |
|---|---|
| | *HK$'000* |
| At 1 January 2014 | 468 |
| Charged to profit or loss *(Note 10)* | 28 |
| At 31 December 2014 | 496 |
| Charged to profit or loss *(Note 10)* | 93 |
| At 31 December 2015 | 589 |
| Charged to profit or loss *(Note 10)* | 115 |
| At 30 June 2016 | 704 |

## 25 TRADE AND OTHER PAYABLES

| | **As at 31 December 2014** | **As at 31 December 2015** | **As at 30 June 2016** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade payables | 2,938 | 10,006 | 13,706 |
| Accruals and other payables | 10,777 | 8,427 | 3,993 |
| | 13,715 | 18,433 | 17,699 |

*Notes:*

(a) Payment terms granted by suppliers/subcontractors are ranged from 15 to 90 days from the invoice date of the relevant purchases. However, the majority of credit terms granted are 30 days.

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

| | **As at 31 December 2014** | **As at 31 December 2015** | **As at 30 June 2016** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| 0-30 days | 1,011 | 3,461 | 9,522 |
| 31-60 days | 571 | 2,192 | 1,302 |
| 61-90 days | 390 | 1,944 | 1,156 |
| Over 90 days | 966 | 2,409 | 1,726 |
| | 2,938 | 10,006 | 13,706 |

(b) All trade and other payables are denominated in HK$.

## 26 NOTES TO COMBINED STATEMENTS OF CASH FLOWS

### (a) Reconciliation of profit before income tax to net cash generated from/(used in) operations

| | Year ended 31 December 2014 | Year ended 31 December 2015 | Six months ended 30 June 2015 | Six months ended 30 June 2016 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* (Unaudited) | *HK$'000* |
| Profit before income tax | 12,476 | 17,675 | 8,195 | 3,374 |
| Adjustments for: | | | | |
| Depreciation | 2,823 | 2,740 | 1,336 | 1,685 |
| Gain on disposal of property, plant and equipment | (185) | – | – | (679) |
| Provision for long service payments | (31) | 45 | 174 | 17 |
| Interest expense | 366 | 479 | 337 | 148 |
| Operating profit before working capital changes | 15,449 | 20,939 | 10,042 | 4,545 |
| Decrease/(increase) in amounts due from customers for contract work | 2,239 | (2,815) | (8,196) | 677 |
| Increase in trade and other receivables | (11,387) | (13,015) | (12,303) | (11,745) |
| Increase/(decrease) in amounts due to customers for contract work | 867 | (838) | 383 | 646 |
| Increase/(decrease) in trade and other payables | 2,989 | 4,718 | 10,852 | (734) |
| Net cash generated from/(used in) operations | 10,157 | 8,989 | 778 | (6,611) |

### (b) Non-cash transactions

(i) During the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, additions to property, plant and equipment of approximately HK$2,569,000, HK$Nil, HK$Nil and HK$1,388,000 were financed by finance lease arrangements respectively.

(ii) For the year ended 31 December 2015, Kingland Concrete declared interim dividend of HK$2,800,000 to its then equity holders. Such interim dividend has been settled by current accounts with the directors.

## 27 COMMITMENTS

### (a) Capital commitments – Group as lessee

Capital commitments outstanding at each statement of financial position date not provided for in the Financial Information were as follows:

| | As at 31 December 2014 | As at 31 December 2015 | As at 30 June 2016 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Contracted but not provided for property, plant and equipment | – | 655 | 254 |

**(b) Operating lease commitments – Group as lessee**

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating lease was payable as follows:

| | As at 31 December 2014 | As at 31 December 2015 | As at 30 June 2016 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Not later than 1 year | 603 | 1,928 | 1,671 |
| Later than 1 year and no later than 5 years | 428 | 1,563 | 813 |
| | 1,031 | 3,491 | 2,484 |

Personal guarantee by Mr. Cheung and/or Mr. Chan were provided.

The Group is the lessee in respect of properties under operating lease. The leases typically run for an initial period of 3 years, with an option to renew the lease when all terms are renegotiated. The lease does not include contingent rentals.

## 28 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) Save as disclosed in Notes 17, 18, 19 and 27 to the Financial Information, the Group did not have any significant related party transaction with related parties during the Track Record Period.

(b) The emoluments of the directors and senior executives (representing the key management personnel) during the Track Record Period are disclosed in Note 8.

(c) Guarantee from related parties

At 31 December 2014 and 2015 and 30 June 2016, finance lease liabilities of approximately HK$626,000, HK$467,000 and HK$365,000 respectively were guaranteed by Mr. Chan.

At 31 December 2014 and 2015 and 30 June 2016, finance lease liabilities of approximately HK$5,335,000, HK$3,303,000 and HK$3,553,000 respectively were guaranteed by Mr. Cheung.

At 31 December 2014 and 2015 and 30 June 2016, finance lease liabilities of approximately HK$179,000, HK$Nil and HK$Nil respectively were guaranteed by Mr. Chan and Mr. Cheung.

## 29 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

The Group had no significant contingent liabilities at the end of each of the Track Record Period.

## 30 RESERVE MOVEMENT OF THE COMPANY

| | *HK$'000* |
|---|---|
| Balance at 5 January 2015 (date of incorporation) | – |
| Loss and total comprehensive expense for the period | (38) |
| Balance at 31 December 2015 | (38) |
| Loss and total comprehensive expense for the period | – |
| Balance at 30 June 2016 | (38) |

## III DIRECTORS' REMUNERATION

Save as disclosed in Note 8 to this report, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period. Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 December 2016 is expected to be approximately HK$2,102,200.

## IV SUBSEQUENT EVENTS

Save as disclosed in Note 12 to this report, the following significant events took place subsequent to 30 June 2016:

(a) The Reorganisation as set out in Note 1 of Section II was completed on 22 November 2016.

(b) The Company adopted a share option scheme on 22 November 2016, a summary of the terms and conditions of which are set out in the paragraph headed "Share Option Scheme" in Appendix IV "Statutory and General Information" to the Document.

(c) On 22 November 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of an additional of 962,000,000 shares of HK$0.01 each.

## V SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2016.

Yours faithfully,
**HLB Hodgson Impey Cheng Limited**
*Certified Public Accountants*

**Jonathan T.S. Lai**
Practising Certificate Number: P04165
Hong Kong