TONG KEE (HOLDING) LIMITED
棠 記（控 股）有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8305)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Tong Kee (Holding) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company's website at www.tongkee.com.hk.

ANNUAL RESULT

The board of Directors (the "Board") of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018, together with the comparative figures for the corresponding period in 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	*3*	**251,767**	178,565
Direct costs		**(203,492)**	(148,961)
Gross profit		**48,275**	29,604
Other income	*4*	**21**	219
Administrative expenses		**(19,673)**	(14,117)
Loss arising from change in fair value of financial assets at fair value through profit or loss		**(1,897)**	–
Listing expenses		**(7,414)**	(8,710)
Finance costs	*5*	**(1,394)**	(1,082)
Profit before income tax	*6*	**17,918**	5,914
Income tax expense	*7*	**(5,006)**	(2,400)
Profit for the year		**12,912**	3,514
Other comprehensive income			
Item that will be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial asset		**–**	63
Total comprehensive income for the year		**12,912**	3,577
			(Restated)
Earnings per share attributable to equity holders of the Company			
Basic and diluted (HK cents)	*8*	**1.79**	0.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	**2018** **HK$'000**	2017 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**6,995**	4,778
Available-for-sale financial asset		**–**	2,099
Financial assets at fair value through profit or loss	*10*	**7,327**	–
		14,322	6,877
Current assets			
Contract assets	*12*	**59,519**	–
Trade and other receivables	*11*	**51,164**	43,460
Amounts due from customers for contract work		**–**	33,534
Amount due from the Controlling Shareholder		**331**	13,207
Pledged bank deposit		**–**	1,002
Bank balances and cash		**28,336**	2,302
		139,350	93,505
Current liabilities			
Bank overdrafts		**–**	3,265
Contract liabilities	*12*	**1,649**	–
Trade and other payables	*13*	**54,772**	44,664
Amounts due to customers for contract work		**–**	4,423
Obligations under finance leases	*14*	**807**	481
Bank borrowings	*15*	**9,459**	15,045
Income tax payable		**2,431**	415
		69,118	68,293
Net current assets		**70,232**	25,212
Total assets less current liabilities		**84,554**	32,089

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Obligations under finance leases	*14*	**2,194**	1,142
Deferred tax liabilities		**312**	185
		2,506	1,327
Net assets		**82,048**	30,762
CAPITAL AND RESERVES			
Share capital	*16*	**8,000**	–*
Reserves		**74,048**	30,762
Total equity		**82,048**	30,762

* Represent amount of less than HK$1,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Total equity attributable to equity holders of the Company					
	NOTES	**Share capital** *HK$'000* *(Note 16)*	**Share premium** *HK$'000*	**Capital reserve** *HK$'000*	**Available-for-sale financial asset reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total equity** *HK$'000*
As at 1 January 2017		–	–	3,610	(126)	23,701	27,185
Profit for the year		–	–	–	–	3,514	3,514
Other comprehensive income — change in fair value of available-for-sale financial asset		–	–	–	63	–	63
Profit and total comprehensive income for the year		–	–	–	63	3,514	3,577
Issue of share capital	*16(i)&(iii)*	–*	–	–	–	–	–
As at 31 December 2017 as originally presented		–*	–	3,610	(63)	27,215	30,762
Change in accounting policies	*2.1*	–	–	–	63	(1,344)	(1,281)
As at 1 January 2018		–	–	3,610	–	25,871	29,481
Insurance of ordinary shares pursuant to the Capitalisation Issue	*16(iv)*	6,400	(6,400)	–	–	–	–
Insurance of ordinary shares pursuant to the Share Offer	*16(v)*	1,600	46,400	–	–	–	48,000
Expense incurred in connection with the issue of ordinary shares	*16(v)*	–	(6,676)	(1,669)	–	–	(8,345)
Transaction with equity holders		8,000	33,324	(1,669)	–	–	39,655
Profit and total comprehensive income for the year		–	–	–	–	12,912	12,912
As at 31 December 2018		**8,000**	**33,324**	**1,941**	**–**	**38,783**	**82,048**

* Represent amount of less than HK$1,000.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Tong Kee (Holding) Limited (the "Company") was incorporated in the Cayman Islands on 10 April 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Office Nos. 7 & 8, 8th Floor, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, New Territories, Hong Kong.

The Company is an investment holding company, and its subsidiaries (collectively referred as the "Group") are multi-disciplinary contractors which are principally engaged in performing repair, maintenance, alteration and addition ("RMAA") works, new construction works and cathodic protection works in Hong Kong.

The directors consider the Company's immediate and ultimate holding company is Advanced Pacific Enterprises Limited ("Advanced Pacific"), a company incorporated in the British Virgin Islands ("BVI"). Advanced Pacific is controlled by Mr. Heung Chung Sum ("Mr. Heung" or the "Controlling Shareholder").

Pursuant to a group reorganisation (the "Reorganisation") of the Group in connection with the listing of the share of the Company on the GEM (the "Listing"), the Company became the holding company of the companies now comprising the Group on 20 October 2017.

The Company's shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 2018.

The consolidated financial statements for the year ended 31 December 2018 were approved for issue by the board of directors on 25 March 2019.

1.2 Reorganisation and basis of presentation

Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the Company's prospectus dated 20 June 2018 (the "Prospectus"). The Group is under the common control of the Controlling Shareholder prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended 31 December 2018 and 2017 which include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the years ended 31 December 2018 and 2017, or since their respective dates of incorporation, where it is a shorter period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosures requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of Stock Exchange.

The significant accounting policies that have been used in the preparation of these consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.1.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial assets which are stated at fair values. The measurement bases are fully described in the accounting policies below.

The consolidated financial statements are presented in Hong Kong dollars ("HK$" or "HKD"), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand (HK$'000), except where otherwise indicated.

2.1 New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit losses ("ECL") model" for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied the standard retrospectively to items that existed at 1 January 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in retained profits.

The adoption of HKFRS 9 has impacted the following areas:

— the classification and measurement of the Group's financial assets. Investment in a life insurance policy classified as available-for-sale financial asset under HKAS 39 has been reclassified as financial asset at fair value through profit or loss ("FVTPL") under HKFRS 9. Fair value changes previously accounted for in other comprehensive income has transferred to the opening balance of retained profits as at 1 January 2018.

— HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the "incurred loss" accounting model in HKAS 39.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018 (Continued)

HKFRS 9 "Financial Instruments" (Continued)

The Group applies the new ECL model to the following items:

— financial assets measured at amortised cost (including trade and other receivables, amount due from the Controlling Shareholder, pledged bank deposit and bank balances and cash); and

— contract assets as defined in HKFRS 15.

For trade receivables, retention receivables and contract assets arising from HKFRS 15, the Group applies a simplified approach of recognising lifetime ECL as these items do not have a significant financing component. For other financial assets, the Group applies a general approach of recognising ECL.

Upon the adoption of HKFRS 9, the Group recognised additional ECL on the Group's trade and other receivables and contract assets of HK$1,248,000 and HK$33,000, respectively, which resulted in a decrease in retained profits of HK$1,281,000 as at 1 January 2018.

The reclassifications and remeasurements made to balances recognised in the consolidated statement of financial position at the date of initial application (1 January 2018) are summarised as follows:

	Measurement category				
	Original HKAS 39 category	**New HKFRS 9 category**	**31 December 2017 (HKAS 39)**	**Adoption of HKFRS 9 Reclassification**	**1 January 2018 (HKFRS 9)**
			HK$'000	*HK$'000*	*HK$'000*
Non-current financial assets					
Investment in life insurance policies	Available-for-sale	N/A	2,099	(2,099)	–
Investment in life insurance policies	N/A	FVTPL	–	2,099	2,099

There have been no changes to the classification or measurement of financial liabilities as a result of the application of HKFRS 9.

For trade and other receivables, amount due from the Controlling Shareholder, pledged bank deposit and bank balances and cash are changed from "loans and receivables" to "at amortised cost".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018 (Continued)

HKFRS 9 "Financial Instruments" (Continued)

The total impact on the Group's retained profits, net of tax , as at 1 January 2018 is as follows:

	HK$'000
Retained earnings	
Recognition of ECL under HKFRS 9	(1,281)
Reclassification from available-for-sale financial asset to financial asset at FVTPL	(63)
Impact at 1 January 2018	(1,344)

ECL

The following table reconciles the loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening ECL allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	HK$'000
Loss allowance at 31 December 2017 under HKAS 39	–
Additional ECL recognised at 1 January 2018 on:	
— Contract assets recognised on adoption of HKFRS 15	33
— Trade receivables	972
— Retention receivables	276
ECL allowance at 1 January 2018 under HKFRS 9	1,281

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018 (Continued)

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to HKFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "HKFRS 15") replace HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations.

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18.

In accordance with the transition guidance under HKFRS 15, the Group has only been applied to contracts that are incomplete as at 1 January 2018.

Summary of nature and effect of the changes on previous accounting policies are set out below:

Timing of revenue recognition

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

a. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

c. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from construction contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018 (Continued)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Presentation of contract assets and liabilities

Previously, contract balances relating to construction contracts in progress were presented in the consolidated statement of financial position under "amounts due from customers for contract work" or "amounts due to customers for contract work" respectively.

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

At the date of initial application of HKFRS 15, unbilled revenue of HK$33,534,000 arising from some of contracts are conditional and hence such balance was reclassified from amounts due from customers for contract work to contract assets.

Besides, advances from customers of HK$4,423,000 previously included in amounts due to customers for contract work were reclassified to contract liabilities.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018 (Continued)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Presentation of contract assets and liabilities (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carry amounts under HKASs 11 and 18 at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Amounts due from customers for contract work	33,534	(33,534)	–
Contract assets	–	33,534	33,534
Current liabilities			
Amounts due to customers for contract work	4,423	(4,423)	–
Contract liabilities	–	4,423	4,423

2.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date not yet determined
5 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Issued but not yet effective HKFRSs (Continued)

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaced HKAS 17 and three related Interpretations.

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

Once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a "lease liability" and a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Issued but not yet effective HKFRSs (Continued)

HKFRS 16 "Leases" (Continued)

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 January 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

As at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$1,352,000 for premises, the majority of which is payable within 5 years after the reporting date.

Upon the initial application of HKFRS 16, the Group plans to measure the rights-of-use assets as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date and the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statements from 2019 onwards.

3. REVENUE AND SEGMENT REPORTING

3.1 Revenue

The Group's principle activities are disclosed in note 1.1 to the consolidated financial statements. Revenue represents the consideration received and receivable from these activities.

The Group's revenue recognised during the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Types of service		
RMAA works projects	**211,165**	138,202
New construction works projects	**5,726**	10,024
Cathodic protection works projects	**34,876**	30,339
	251,767	178,565

Remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2018:

	2018
	HK$'000
Remaining performance obligations expected to be satisfied during the year ending	
31 December 2019	**73,023**
31 December 2020	**854**
	73,877

3. REVENUE AND SEGMENT REPORTING (CONTINUED)

3.2 Segment information

The Group has determined the operating segments based on the information reported to the chief operating decision maker. During the year, the chief operating decision maker regards the Group's business of performing RMAA works, new construction works and cathodic protection works in Hong Kong as a single operating segment and assesses the operating performance and allocates the resources of the Group as a whole. Accordingly, no segment information is presented.

Geographical information

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the Group's total revenue, is set out below:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**131,494**	69,134
Customer B	**36,647**	29,463
Customer C	**N/A**	18,429

N/A: Revenue from the customer during the year did not exceed 10% of the Group's revenue.

4. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**–**	102
Exchange gain	**–**	3
Sundry income	**21**	114
	21	219

5. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest charges on bank borrowings and overdrafts	**1,293**	1,011
Finance charges on obligations under finance leases	**101**	71
	1,394	1,082

6. PROFIT BEFORE INCOME TAX

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

	2018	2017
	HK$'000	*HK$'000*
(a) Staff cost (including directors' remuneration)		
Salaries, wages and other benefits	**38,486**	31,596
Contributions to defined contribution plans	**1,577**	1,395
	40,063	32,991
(b) Other items		
Auditor's remuneration — audit services	**920**	65
Bad debts	**82**	54
Depreciation		
— owned assets	**804**	591
— leased assets	**573**	639
Operating lease charges in respect of:		
— premises	**898**	713
— machinery	**98**	147
Exchange (gains)/losses, net	**—**	(3)
Provision of ECL allowance on trade receivables, retention receivables and contract assets	**245**	–

7. INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is accordingly not subject to income tax in the Cayman Islands.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities will be taxed at 8.25%, and the profits above HK$2 million will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. For the year ended 31 December 2018, Hong Kong profits tax of Tong Kee Engineering Limited ("TKEL"), a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime.

7. INCOME TAX EXPENSE (CONTINUED)

For the year ended 31 December 2017, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profit for the year.

	2018 *HK$'000*	2017 *HK$'000*
Current tax		
Hong Kong Profits Tax		
— Current year	**4,640**	2,361
— Under provision in respect of prior years	**239**	–
	4,879	2,361
Deferred tax		
— Current year	**127**	39
Income tax expense	**5,006**	2,400

8. EARNINGS PER SHARE

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

	2018 *HK$'000*	2017 *HK$'000*
Earnings		
Profit for the year attributable to equity holders of the Company	**12,912**	3,514
		(Restated)
Weighted average number of ordinary shares (in thousands)	**719,342**	640,000
Earnings per share (HK cents)	**1.79**	0.55

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2018 includes (i) the number of ordinary shares of the Company immediately after the Capitalisation Issue (note16(iv)), as if all these shares had been in issue throughout the year ended 31 December 2018, and (ii) the weighted average of 160,000,000 new ordinary shares issued pursuant to the Share Offer (note 16(v)).

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2017 representing the number of ordinary shares of the Company immediately after the Capitalisation Issue (note 16(iv)), as if all these shares had been in issue throughout the year ended 31 December 2017.

Diluted earnings per share for the year was the same as basic earnings per share as there were no dilutive potential ordinary shares in issue during the year.

9. DIVIDENDS

The Board did not recommend the payment of dividend for the year ended 31 December 2018 (2017: nil).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HK$'000	*HK$'000*
Investment in life insurance policies	**7,327**	2,099

The investment was reclassified from available-for-sale financial asset of HK$2,099,000 at 1 January 2018 after the adoption of HKFRS 9 as detailed in note 2.1.

In August 2012, the Group's subsidiary, TKEL entered into a life insurance policy with an insurance company to insure Mr. Heung, a director of the Company. Under the policy, the beneficiary and the policy holder is TKEL and the total insured sum is US$800,000 (equivalent to approximately HK$6,240,000). The Group was required to pay a one-off premium payment of US$278,000 (equivalent to approximately HK$2,162,000). The Group can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal ("Cash Value"), which is determined by the premium payment plus accumulated interest earned minus the accumulated insurance charges, policy expense charges and a specified amount of surrender charge if the withdrawal is made between 1st to 18th policy year. The insurance company will pay the subsidiary an interest on the outstanding Cash Value excluding the surrender charge at the prevailing interest rate fixed by the insurance company. Commencing on the 2nd policy year, a minimum guaranteed interest of 2% per annum is guaranteed by the insurance company.

In May 2018, the Group's subsidiary, TKEL entered into another life insurance policy with another insurance company to insure Mr. Heung, a director of the Company. Under the policy, the beneficiary and the policy holder is TKEL and the total insured sum is US$1,400,000 (equivalent to approximately HK$10,920,000). The Group was required to pay a one-off premium payment of US$917,000 (equivalent to approximately HK$7,125,000). The Group can terminate the policy at any time and receive cash back based on the Cash Value, which is determined by the premium payment plus accumulated interest earned minus the accumulated insurance charges, policy expense charges and a specified amount of surrender charge if the withdrawal is made between 1st to 15th policy year. The insurance company will pay the subsidiary an interest on the outstanding cash value excluding the surrender charge at the prevailing interest rate fixed by the insurance company. Commencing on the 2nd policy year, a minimum guaranteed interest of 2.3% per annum is guaranteed by the insurance company.

The investment in life insurance policies is denominated in US$ and the fair value is determined by reference to the Cash Value as provided by the insurance company.

As at 31 December 2018 and 2017, the life insurance policies were pledged to a bank to secure banking facilities granted to the Group.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade and retention receivables		
Trade receivables	**33,785**	24,149
Retention receivables	**12,811**	10,665
Less: ECL allowance/loss allowance	**(1,466)**	–
	45,130	34,814
Deposits, prepayments and other receivables		
Prepayments	**3,086**	2,595
Prepaid Listing expenses	**–**	3,298
Deposits paid to suppliers and subcontractors	**9**	57
Security for issuance of performance bonds	**1,898**	1,813
Other deposits	**892**	705
Other receivables	**149**	178
	6,034	8,646
	51,164	43,460

All the trade and other receivables are denominated in HK$ and the directors considered that the fair values of trade and other receivables are not materially different from their carrying amounts.

As at 31 December 2018, retention receivables of HK$175,000 (2017: nil) included under current assets in the consolidated statements of financial position are expected to be recovered after one year.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The Group usually grants credit period ranging from 30 to 60 days to customers other than retention receivables. The terms and conditions in relation to the release of retention vary from contract to contract, which will be subject to the expiry of the defect liability period. In general, the retention money will be released upon the expiry of the defect liability period, which is typically one year after completion of construction works.

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**18,327**	11,426
31 days to 60 days	**6,865**	7,006
61 days to 90 days	**2,498**	766
91 days to 365 days	**6,002**	4,828
Over 365 days	**93**	123
	33,785	24,149

The movements in the ECL allowance (2017: loss allowance) of trade and retention receivables are as follows:

	2018	2017
	HK$'000	*HK$'000*
At the beginning of the year as originally presented	**–**	–
Amounts restated through opening retained profits *(note 2.1)*	**1,248**	–
At the beginning of the year	**1,248**	–
Provision for ECL allowance recognised during the year	**218**	–
At the end of the year	**1,466**	–

12. CONTRACT ASSETS/CONTRACT LIABILITIES

	2018	2017
	HK$'000	*HK$'000*
Contract assets	**59,579**	–
Amounts due from customers for contract work	**–**	33,534
Less: ECL allowance (note)	**(60)**	–
	59,519	33,534
Contract liabilities	**(1,649)**	–
Amounts due to customers for contract work	**–**	(4,423)
	57,870	29,111

12. CONTRACT ASSETS/CONTRACT LIABILITIES (CONTINUED)

Note:

The Group has initially applied HKFRS 9 and HKFRS 15 using the cumulative effect transition method and adjusted the opening balances as at 1 January 2018 as disclosed in note 2.1. The Group applies simplified approach to provide for ECL prescribed in HKFRS 9. Provision for ECL allowance have been included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

The contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

The amount of revenue recognised during the year ended 31 December 2018 from performance obligations satisfied in previous periods, mainly due to the changes in estimate of the stage of completion and modification of contracts, is HK$7,086,000.

Movements in the contract assets and the contract liabilities balances during the year ended 31 December 2018 are as follows:

	2018
	HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**3,455**
Transfers from contract assets recognised at the beginning of the year to receivables	**20,644**

The balance of contract assets and contract liabilities are expected to be recovered/settled within one year.

13. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade and retention payables		
Trade payables	**41,212**	33,850
Retention payables	**7,550**	4,737
	48,762	38,587
Other payables		
Accrued expenses and other payables	**4,147**	4,331
Provision for annual leave and long service payment	**1,863**	1,746
	6,010	6,077
	54,772	44,664

The Group is granted by its suppliers and subcontractors a credit period ranging from 30 to 60 days. Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**38,892**	32,810
31 days to 60 days	**1,542**	997
61 days to 90 days	**99**	34
91 days to 365 days	**679**	9
	41,212	33,850

As at 31 December 2018, retention payables of HK$1,517,000 (2017: nil) included under current liabilities in the consolidated statements of financial position are expected to be payable after one year.

All trade and other payables are denominated in HK$. The carrying values of trade and other payables are considered to be reasonable approximation of their fair values.

14. OBLIGATIONS UNDER FINANCE LEASES

	2018	2017
	HK$'000	*HK$'000*
Total minimum lease payments:		
— Within one year	**924**	542
— After one year but within two years	**836**	409
— After two years but within five years	**1,497**	780
— After five years	**–**	38
	3,257	1,769
Future finance charges on finance leases	**(256)**	(146)
Present value of finance lease liabilities	**3,001**	1,623

	2018	2017
	HK$'000	*HK$'000*
Present value of minimum lease payments:		
— Within one year	**807**	481
— After one year but within two years	**755**	368
— After two years but within five years	**1,439**	737
— After five years	**–**	37
	3,001	1,623
Less: Profit due within one year included under current liabilities	**(807)**	(481)
Portion due after one year included under non-current liabilities	**2,194**	1,142

The Group has entered into finance leases for motor vehicles. The lease periods ranged from 3 to 5 years (2017: 3 to 6 years).

Finance lease liabilities are effectively secured by corporate guarantees from Tong Kee Engineering (Civil) Limited ("Tong Kee Civil"), a subsidiary of the Company and the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

As at 31 December 2018 and 2017, all the obligations under finance leases were denominated in HK$.

15. BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Bank loans, secured:		
— repayable within one year	**5,522**	13,429
— not repayable within one year from the end of the reporting period but contain a repayment on demand clause	**3,937**	1,616
Amounts shown under current liabilities	**9,459**	15,045

As at 31 December 2018 and 2017, all the bank loans were denominated in HK$.

The bank loans were secured by:

(a) land and building with a net book amount of HK$1,818,000 (2017: HK$1,890,000) as at 31 December 2018;

(b) personal guarantees and pledged assets provided by the Controlling Shareholder as at 31 December 2017;

(c) guarantee as provided by the Government of Hong Kong Special Administrative Region under the Small and Medium Enterprise Loan Guarantee — For Working Capital Loans as at 31 December 2017;

(d) legal charge on life insurance policies with a carrying amount of HK$7,327,000 (2017:HK$2,099,000) as at 31 December 2018 (note 10);

(e) pledged bank deposit of HK$1,002,000 as at 31 December 2017; and

(f) corporate guarantee by the Company as at 31 December 2018 (2017: nil).

16. SHARE CAPITAL

	2018		2017	
	No. of shares	***HK$'000***	*No. of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each				
As at 1 January 2018/Upon incorporation *(note i)*	**38,000,000**	**380**	38,000,000	380
Increase in authorised share capital *(note iii)*	**9,962,000,000**	**99,620**	–	–
	10,000,000,000	**100,000**	38,000,000	380
Issued and fully paid:				
As at 1 January 2018/Upon incorporation *(note i)*	**1,000**	**–***	1	–*
Issuance of shares upon Reorganisation *(note ii)*	**–**	**–**	999	–*
Issuance of ordinary shares pursuant to the Capitalisation Issue *(note iv)*	**639,999,000**	**6,400**	–	–
Issuance of ordinary shares pursuant to the Share Offer *(note v)*	**160,000,000**	**1,600**	–	–
As at 31 December	**800,000,000**	**8,000**	1,000	–*

* Represent amount of less than HK$1,000.

Note:

(i) The Company was incorporated in the Cayman Islands on 10 April 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. On the date of incorporation, one share was issued and allotted to the subscriber, which was transferred to Advanced Pacific on the same day.

(ii) On 20 October 2017, 399 shares were issued and allotted at par for cash to Advanced Pacific. On the same day, an additional 600 shares were issued and allotted to Advanced Pacific pursuant to the share swap agreements at a consideration of HK$30,100,000, of which HK$6 was credited to the Company's share capital account and the remaining HK$30,100,000 was credited to the Company's capital reserve account.

(iii) Pursuant to the written resolutions of the sole shareholder passed on 4 June 2018, the authorised share capital of the Company increased from HK$380,000 to HK$100,000,000 divided into 10,000,000,000 ordinary shares of HK$0.01 each by creation of an additional 9,962,000,000 shares.

(iv) On 4 June 2018, 639,999,000 new ordinary shares of nominal value of HK$6,399,990 were issued and credited as fully paid, by way of capitalisation from the share premium account of the Company, pursuant to the Capitalisation Issue as detailed in the Prospectus.

(v) On 4 July 2018, 160,000,000 new ordinary shares of par value of HK$0.01 each share were issued at a price of HK$0.3 per share and credited as fully paid pursuant to the Share Offer as detailed in the Prospectus. The gross proceeds amounted to HK$48,000,000 and the listing costs directly attributable to the issue of shares amounted to approximately HK$6,676,000. Certain listing costs of HK$1,669,000 were related to the sale shares of the Controlling Shareholder and were charged to the capital reserve account. HK$6,400,000 was credited to share capital and the remaining net proceeds amounted to approximately HK$39,724,000 were credited to the Company's share premium account.

17. CONTINGENT LIABILITIES

A claim in the amount of approximately HK$4,290,000 (the "Claim") was filed against a subsidiary of the Group in 2016 by an ex-employee for personal injury. The directors considered the claim would be covered by the insurance obtained by the subsidiary and the Claim would not have any material financial impact on the Group. Accordingly, no provision has been made in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an established multi-disciplinary contractor for the provision of RMAA, new construction works, and cathodic protection works in Hong Kong. The Group is responsible for the overall management, implementation and supervision of projects. The Group focuses on the management of projects, development of work programmes, procurement of works materials, operation of site works, co-ordination with the customers or their consultants and quality control of the works carried by the employees and the subcontractors.

For RMAA works, the Group provides repair, alteration and addition, maintenance, modification, rehabilitation, steel, civil and demolition works in various venues such as residential building, commercial building, carpark, road, footbridge and theme park in Hong Kong. For new construction works, the Group provides a variety of constructions and related alteration and additions works and facilities such as noise mitigation work, architectural metalwork, bus shelter, dangerous goods store building, innovative and creative structure such as air balloon. For cathodic protection works, the Group provides installation of cathodic protection systems including sacrificial anodes protection and impressed current systems.

For the year ended 31 December 2018, there were 139 projects (2017: 149 projects) with revenue contribution undertaken by the Group. The demands for the Group's RMAA and cathodic protection works services remained at a high level and thus, the revenue of the Group recorded a significant growth in current year. During the year ended 31 December 2018 and up to the date of this annual report, the Group was awarded 67 new projects, with total original contract sum of approximately $138.5 million.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the property market in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the Hong Kong RMAA and fitting-out industry. With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the following key business strategies: (i) strengthen the market position in the industry and expand the market share by securing more RMAA and cathodic protection works contracts by utilising the net proceeds from the Listing of the Shares on GEM of the Stock Exchange on 4 July 2018 (the "**Listing Date**"); and (ii) expanding the customer base and strengthening the scope of services.

FINANCIAL REVIEW

Revenue

The revenue increased from approximately HK$178.6 million for the year ended 31 December 2017 to approximately HK$251.8 million for the year ended 31 December 2018, representing a growth of approximately 41.0%. Such increase was mainly due to the increase in contract sum of RMAA and cathodic protection works projects undertaken by the Group as a result of the overall development in the construction industry in Hong Kong.

Cost of Sales

The cost of sales increased from approximately HK$149.0 million for the year ended 31 December 2017 to approximately HK$203.5 million for the year ended 31 December 2018, representing an increase of approximately 36.6%. Such increase was mainly attributable to the increase in the subcontracting charges and staff costs incurred in line with the revenue increase during the year.

Gross Profit

Gross profit of the Group increased by approximately HK$18.7 million from approximately HK$29.6 million for the year ended 31 December 2017 to approximately HK$48.3 million for the year ended 31 December 2018. The overall gross profit margin increased from approximately 16.6% for the year ended 31 December 2017 to approximately 19.2% for the year ended 31 December 2018 as the projects undertaken by the Group during the year ended 31 December 2018 are generally in higher gross profit margin, and the Group have exercised better cost management, resulting in the extent of increase in subcontracting charges and construction material costs is lower than that of the increase in revenue for the year ended 31 December 2018.

Listing Expenses

During the year ended 31 December 2018, the Group recognised non-recurring Listing expenses of approximately HK$7.4 million (2017: 8.7 million), as expenses in connection with its Listing exercise.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK$5.6 million or 39.7% from approximately HK$14.1 million for the year ended 31 December 2017 to approximately HK$19.7 million for the year ended 31 December 2018.

Administrative expenses primarily consist of staff costs, audit fee and other professional costs in relation to the compliance with the GEM Listing Rules. The increase was mainly attributable to the increase in staff costs due to business expansion and the abovementioned audit fee and other professional costs in relation to the compliance with the GEM Listing Rules during the year.

Finance Costs

Finance costs for the Group increased by approximately HK$0.3 million or 27.3% from approximately HK$1.1 million for the year ended 31 December 2017 to approximately HK$1.4 million for the year ended 31 December 2018. It was mainly due to the increase in usage of loan settlement for trade payables and bank borrowings during the year ended 31 December 2018.

Income Tax Expense

Income tax expense for the Group increased approximately HK$2.6 million or 108.3% from approximately HK$2.4 million for the year ended 31 December 2017 to approximately HK$5.0 million for the year ended 31 December 2018. The increase was mainly attributable to the increase in profit before tax (excluding the Listing expenses) from approximately HK$14.6 million for the year ended 31 December 2017 to approximately HK$25.3 million for the year ended 31 December 2018.

Profit and Total Comprehensive Income for the year attributable to the owners of the Company

Profit and total comprehensive income for the year attributable to the owners of the Company increased by approximately HK$9.3 million or 258.3% from approximately HK$3.6 million for the year ended 31 December 2017 to approximately HK$12.9 million for the year ended 31 December 2018.

Such increase was primarily attributable to the net effect of (i) the increase in gross profit for the year ended 31 December 2018; (ii) the increase in the administrative expenses incurred by the Group for the year ended 31 December 2018; and (iii) less Listing expenses incurred by the Group for its Listing exercise during the year ended 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio improved steadily from approximately 1.4 times as at 31 December 2017 to 2.0 times as at 31 December 2018.

As at 31 December 2018, the Group had bank borrowings of approximately HK$9.5 million (2017: HK$15.0 million). The gearing ratio, calculated based on the total borrowings divided by total equity at the end of the year and multiplied by 100%, decreased from approximately 48.9% as at 31 December 2017 to approximately 11.5% as at 31 December 2018 due to the increase in equity of the Group. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 4 July 2018. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 December 2018, the Company's issued share capital was HK$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK$0.01 each.

COMMITMENTS

The operating lease commitments of the Group were primarily related to the leases of its office premises and carpark spaces. The Group's operating lease commitments amounted to approximately HK$1,352,000 as at 31 December 2018 (2017: approximately HK$1,183,000).

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed on note 3.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2018, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

Save as disclosed on note 17, as at 31 December 2017 and 2018, the Group did not have other material contingent liabilities.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's revenue generating operations are mainly transacted in HK$. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

CHARGE OF GROUP'S ASSETS

As at 31 December 2018, the Group pledged certain amount of land and building and investments in life insurance policies to secure short-term bank borrowings and other general banking facilities granted to the Group. For details, please refer to note 15.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed a total of 119 employees (2017: 110 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$40.1 million for the year ended 31 December 2018 (2017: approximately HK$33.0 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

USE OF PROCEEDS

The net proceeds from the Listing on 4 July 2018, after deducting listing related expenses, were approximately HK$25.2 million. After the Listing, these proceeds were used for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus. The unused amount of the net proceeds from the Listing as at 31 December 2018 was approximately HK$20.6 million.

An analysis of the planned amount utilised up to 31 December 2018 is set out below:

	Planned use of net proceeds as stated in the Prospectus *HK$'million*	**Actual use of net proceeds from Listing Date to 31 December 2018** *HK$'million*
Reserved capital to satisfy the Group's potential customers' requirement for surety/ performance bond	2.0	–
Further Strengthen the Group's manpower	7.4	1.0
Acquisition of additional machinery and equipment	7.5	0.2
Upgrading the Hong Kong office and workshop	5.7	0.8
General working capital	2.6	2.6

OTHER INFORMATION

Corporate Governance Practices

Since the Listing, the Board has recognised that the transparency and accountability is important to a listed company. Therefore, the Company is committed in establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in return to the benefits of the Company's stakeholders as a whole.

The Board has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

Under the code provision A.2.1 of the CG Code, the role of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Heung Chung Sum currently assumes the role of both chairman of the Company and chief executive of the Company. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

Save as disclosed above, the Board is pleased to report compliance with all applicable code provisions of the CG Code during the year ended 31 December 2018.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 December 2018.

Non-Competition Undertakings by Controlling Shareholders

Each of the Controlling Shareholders (namely Mr. Heung Chung Sum, Advanced Pacific Enterprises Limited ("**Advanced Pacific**") has made an annual declaration to the Company that for the year 31 December 2018, it has complied with the terms of non-competition undertakings ("**Non-Competition Undertakings**") given in favour of the Company which are contained in the Deed of Non-Competition Undertaking. Details of the Non-Competition Undertakings are set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus. The INEDs have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Non-Competition Undertakings and as far as the INEDs can ascertain, there is no breach of any of the undertakings in the Non-Competition Undertakings.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 December 2018.

Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018.

Annual General Meeting and Closure of Register Of Members

The annual general meeting is scheduled for Monday, 6 May 2019. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 30 April 2019 to Monday, 6 May 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 29 April 2019.

Audit Committee

The Company established an audit committee ("**Audit Committee**") with its written terms of reference in compliance with the GEM Listing Rules, in accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company's annual report and interim financial reports before submission to the Board. The Audit Committee consists of three members, namely Mr. Chan Chi Hang, Dr. Ip Wai Hung, Mr. Ko, Wilson Wai Shun, all being independent non-executive Directors of the Company. Mr. Chan Chi Hang currently serves as the chairman of the Audit Committee.

Review of Annual Results

The audit committee of the Company has reviewed the annual results for the year ended 31 December 2018 before the results were submitted to the Board for approval.

The figures in respect of the result announcement of the Group for the year ended 31 December 2018 have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Grant Thornton Hong Kong Limited on the announcement.

Events after the Reporting Period

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2018 and up to the date of this announcement.

Appreciation

On behalf of the Board, I would like to extend our sincere thanks to our shareholders, business partners and customers for their utmost support to the Group. I would also like to take this opportunity to thank all management members and staffs for their hard work and dedication throughout the year.

By order of the Board
Tong Kee (Holding) Limited
Heung Chung Sum
Chairman and Executive Director

Hong Kong, 25 March 2019

As at the date of this announcement, the executive Directors are Mr. Heung Chung Sum and Mr. Chan Wai Hon, Alan, and the non-executive Directors are Ms. Heung Joe Yee, Ms. Heung Joe Tung, and the independent non-executive Directors are Dr. Ip Wai Hung, Mr. Ko, Wilson Wai Shun, and Mr. Chan Chi Hang.