

YAT SING HOLDINGS LIMITED

日成控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3708

The cover features a large white circle in the center containing the text 'Annual Report 2016'. This circle is surrounded by several overlapping circles of various shades of blue and green, each filled with a fine, parallel-line pattern. A small solid green circle is positioned to the right of the '2016' text.

Annual Report

2016 ●



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Corporate Information

EXECUTIVE DIRECTORS

Mr. LAI Aizhong (Chairman)
(appointed on 3 March 2016)
Mr. LIU Winson Wing Sun
Mr. KAN Yiu Keung (Chief Executive Officer)
Mr. CHAN Lo Kin
Mr. GE Jin (appointed on 30 September 2015 and
resigned on 6 June 2016)

NON-EXECUTIVE DIRECTORS

Mr. KAN Yiu Kwok
Mr. LIU Su Ke (resigned on 3 March 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. TONG Sze Wan
Mr. GUO Biao (appointed on 3 March 2016)
Ms. SONG Dan (appointed on 3 March 2016)
Mr. KWONG Ping Man (resigned on 3 March 2016)
Mr. LAM Yiu Por (resigned on 3 March 2016)

AUDIT COMMITTEE

Ms. TONG Sze Wan (Chairman)
Mr. GUO Biao (appointed on 3 March 2016)
Ms. SONG Dan (appointed on 3 March 2016)
Mr. LAM Yiu Por (resigned on 3 March 2016)
Mr. KWONG Ping Man (resigned on 3 March 2016)

NOMINATION COMMITTEE

Mr. LAI Aizhong (Chairman)
(appointed on 3 March 2016)
Ms. TONG Sze Wan
Mr. GUO Biao (appointed on 3 March 2016)
Mr. LIU Winson Wing Sun (resigned on 3 March 2016)
Mr. KWONG Ping Man (resigned on 3 March 2016)

REMUNERATION COMMITTEE

Mr. GUO Biao (Chairman)
(appointed on 3 March 2016)
Mr. CHAN Lo Kin
Ms. TONG Sze Wan
Mr. LAM Yiu Por (resigned on 3 March 2016)

COMPANY SECRETARY

Mr. FUNG Nam Shan (appointed on 3 March 2016)
Ms. SO Hau Kit (resigned on 3 March 2016)

AUTHORIZED REPRESENTATIVES

Mr. LAI Aizhong (appointed on 3 March 2016)
Mr. FUNG Nam Shan (appointed on 3 March 2016)
Mr. LIU Winson Wing Sun (resigned on 3 March 2016)
Mr. CHAN Lo Kin (resigned on 3 March 2016)

INDEPENDENT AUDITORS

SHINEWING (HK) CPA Limited

COMPLIANCE ADVISER

TC Capital Asia Limited

LEGAL ADVISER

As to Hong Kong Law
P.C. Woo & Co
Loong & Yeung

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

Room 1402, 14/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLAND

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands



Corporate Information

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Kowloon West Commercial Centre

China Construction Bank Corporation
Tsim Sha Tsui Commercial Banking Office

China CITIC Bank International Limited
Des Voeux Road Central Branch

COMPANY WEBSITE

www.yat-sing.com.hk

STOCK CODE

03708

Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the board (the "Board") of directors (the "Directors") of Yat Sing Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present our annual report of the Group for the year ended 30 June 2016 (the "Year").

RESULTS

For the Year, the Group recorded a revenue of approximately HK\$488.1 million, down approximately HK\$15.1 million or 3.0% from HK\$503.2 million recorded in the same period in 2015. Consolidated profit attributable to owners of the Company for the Year increased by approximately HK\$0.8 million or 7.4% to HK\$11.6 million (2015: HK\$10.8 million).

The basic and diluted earnings per share of the Company (the "Share") for the Year was approximately HK1.0 cent.

As at 30 June 2016, the equity attributable to owners of the Company amounted to HK\$170.2 million (2015: HK\$158.6 million), representing an increase of 7.3%.

DEVELOPMENT FOR THE YEAR

For the core business of maintenance works for public sector, the Group has been awarded a District Term Contract ("DTC") with a notional or estimated contract value of approximately HK\$312.8 million for a contract period of 36 months by Hong Kong Housing Authority (the "Housing Authority") in March 2016. The project commenced during April 2016.

With the cooling-down of local property market since 2015 fourth quarter, the Group returned our focus back to public sector for renovation works. Out of the 9 contracts awarded during the Year, the largest one accounted, which was related to public sector, for more than half of the total contract value.

PROSPECTS

Looking forward, with continuous spending on infrastructure and residential building works by public sector, the Group are expecting stable growth in the building and maintenance and renovation contracting service industry in Hong Kong, on which the Group keeps the business focus. Riding on the operating resources and experience, the Group believes that the Group can continue to maintain the competitive edge in the industry to capture the market share for building maintenance and renovation contracting services in Hong Kong.



Chairman's Statement

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the shareholders of the Company ("Shareholders") for their continuous confidence, the business partners for their great trust, and the management and staff for their persistent faith and loyalty to the Group. In the coming year, the Group shall continue to explore new opportunities and strive for business growth to bring the highest returns to the Shareholders.

LAI Aizhong

Chairman

Hong Kong, 12 September 2016

Management Discussion and Analysis

BUSINESS MODEL AND STRATEGY

The Group has more than 50 years of experience and knowledge in the building maintenance and renovation industry and has now become one of the major service providers of the industry in Hong Kong. In 1996, the Group was admitted to the Housing Authority's contractor list under the "Building (Maintenance) Group M2 (confirmed status)" category which enables the Group to tender for Housing Authority contracts for building maintenance and renovation works of unlimited value.

Our corporate objective is to create and enhance value for the Shareholders. To attain such objective, the Group strives to maintain stable growth and profitability by obtaining sustainable projects in both public and private sectors. To monitor projects as a main contractor, we have to carry out overall project management and supervision of works conducted by our subcontractors. As a result, the works performed by subcontractors can be ensured to conform to contractual specifications and be completed on time and within budget.

BUSINESS REVIEW

The Group is a building maintenance and renovation service provider in Hong Kong. All revenue for the Year was derived from building maintenance and renovation services.

Building maintenance services

As at 30 June 2016, we had 6 building maintenance contracts on hand (including contracts in progress and contracts which are yet to commence) with a notional or estimated contract value of approximately HK\$1,072.3 million. As at 30 June 2015, we had 6 building maintenance contracts on hand with a notional or estimated contract value of HK\$1,400.1 million. During the Year, we have completed 1 building maintenance contract.

Renovation services

As at 30 June 2016, we had 6 renovation contracts on hand (including contracts in progress and contracts which are yet to commence) with a notional or estimated contract value of approximately HK\$362.7 million. As at 30 June 2015, we had 4 renovation contracts on hand with a notional or estimated contract value of HK\$296.7 million. During the Year, we have completed 9 renovation contracts.

Principal risks and uncertainties

The Group realized the importance of sufficient financial funding. The Group will keep on to monitor and measure the liquidity and funding risk in an on-going basis, and ensure a sufficient cash flow for the business operations.

Other risks and uncertainties are set out in note 28 to the consolidated financial statements.

Key financial and business performance indicators

The key financial and business performance indicators comprise profit attributable to owners of the Company, basic earnings per share, and gearing ratio. Details of relevant analyses are shown in "Chairman's Statement" and "Management Discussion and Analysis" section of this annual report.



Management Discussion and Analysis

Environmental policies and performance

The Group recognizes its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimize these impacts if possible. The Group has endeavored to comply with laws and regulations regarding environmental protection and adopted effective environmental practices to ensure our business meets the required standards and ethics in respect of environmental protection.

Compliance with laws and regulations

The Group recognizes the importance of compliance with regulatory requirements and has taken efforts to minimize the risks of non-compliance with such requirements. The Group has on-going review on the newly enacted laws and regulations affecting the operations of the Group. The Group is not aware of any material breach on non-compliance with the laws and regulations that have a significant impact on the business and operations of the Group.

Key relationships with employees, customers and suppliers

The Group regularly reviews the employment policies on remuneration and other benefits and ensures that all its staff are reasonable remunerated. On the other hand, the Group maintains a good relationship and close contact with its customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedbacks and suggestions. The Group will also conduct review on the suppliers' performance on a regular basis.

RECENT DEVELOPMENT

Building maintenance services

During the Year, we had been successfully awarded 3 contracts with a notional or estimated contract value of approximately HK\$363.5 million. Of the newly awarded contracts, 2 commenced during the Year with a notional or estimated contract value of approximately HK\$317.6 million.

With the completion of several DTCs, the Group had been awarded a new DTC with a notional or estimated contract value of approximately HK\$312.8 million for a contract period of 36 months by Housing Authority in March 2016. The project had commenced in April 2016.

Renovation services

During the Year, we had been successfully awarded 9 contracts with a notional or estimated contract value of approximately HK\$42.4 million. Of the newly awarded contracts, all of them commenced during the Year.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the Year, the revenue of the Group was approximately HK\$488.1 million representing a decrease of approximately HK\$15.1 million or 3.0% compared with approximately HK\$503.2 million for the year ended 30 June 2015. All revenue was derived from building maintenance and renovation services.

Revenue derived from building maintenance services increased by approximately HK\$24.6 million or 7.8% from approximately HK\$316.7 million for the year ended 30 June 2015 to approximately HK\$341.3 million during the Year. With the commencement of two DTCs during the Year, more works orders were carried out than the year ended 30 June 2015 and resulted in an increase in revenue.

Revenue derived from renovation services showed a decrease of approximately HK\$39.8 million or 21.3% from approximately HK\$186.5 million for the year ended 30 June 2015 to approximately HK\$146.7 million during the Year. The decrease in revenue was mainly caused by the completion of several significant contracts (including renovation term contract with an education institution) during the year ended 30 June 2015.

Gross profit

During the Year, the Group's gross profit amounted to approximately HK\$44.9 million (2015: HK\$52.4 million) representing a decrease of approximately HK\$7.5 million or 14.3%. Gross profit margin for the Year was approximately 9.2% (2015: 10.4%), the decrease was consistent with the decline in gross profit margin for both building maintenance and renovation segments as explained below.

Gross profit attributable to building maintenance services for the Year amounted to approximately HK\$41.8 million (2015: HK\$41.3 million), representing a slight increase of approximately HK\$0.5 million or 1.2% due to the commencement of two DTCs and resulted in increase in revenue and so as gross profit. The Group's gross profit margin for building maintenance services for the Year was approximately 12.2% (2015: 13.0%). The slight decline in gross profit margin in this segment over the year ended 30 June 2015 was attributable to the percentage increase in costs for the new DTC.

Gross profit attributable to renovation services for the Year amounted to approximately HK\$3.2 million (2015: HK\$11.1 million), representing a decrease of approximately HK\$7.9 million or 71.2%. Gross profit margin from renovation services during the Year was approximately 2.2%, which was lower than the year ended 30 June 2015 by approximately 6.0%. With the completion of several contracts with higher gross profit margin during the Year, it resulted in decline in gross profit margin.

Other income

Other income comprised of interests amounted to approximately HK\$0.3 million for the Year and HK\$0.2 million for the year ended 30 June 2015 and other miscellaneous income of the Group.

Management Discussion and Analysis

Administrative expenses

Administrative expenses decreased by approximately HK\$9.2 million or 25.7% from approximately HK\$35.8 million for the year ended 30 June 2015 to approximately HK\$26.6 million for the Year, mainly due to the one-off professional fees, which related to the listing of the Shares on the Stock Exchange (the “Listing”), of approximately HK\$12.1 million recognised for the year ended 30 June 2015.

Finance costs

Finance costs for the Year amounted to approximately HK\$0.4 million, which was similar for the year ended 30 June 2015.

Income tax

The effective tax rates for the Year were approximately 32.0%, which was similar for the year ended 30 June 2015.

Profit for the Year

The Group's profit for the Year increased by approximately HK\$0.7 million or 6.4% from approximately HK\$11.0 million for the year ended 30 June 2015 to approximately HK\$11.7 million for the Year.

Liquidity, financial resources and capital structure

The Group generally finances its operation through cash from operations and bank borrowings. As at 30 June 2016, the Group had total cash and bank balances of approximately HK\$52.4 million (2015: HK\$98.9 million). The Group did not have any bank borrowings as at 30 June 2016 (2015: HK\$10.1 million). All the cash and bank balances and bank borrowings are denominated in Hong Kong dollar.

As at 30 June 2016, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.2 million and HK\$170.2 million respectively (2015: HK\$11.2 million and HK\$158.6 million respectively).

The Group did not carry out any hedging for its floating rate borrowings.

Commitments

As at 30 June 2016 and 2015, the Group had outstanding commitments in respect of future minimum lease payments under non-cancellable lease of approximately HK\$8.9 million and HK\$0.9 million, respectively.

As at 30 June 2016, the Group had no other outstanding commitment (2015: HK\$1.4 million in respect of acquisition of motor vehicles).

Management Discussion and Analysis

Foreign exchange risk

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollar. With the insignificant portion of monetary assets denominated in foreign currencies, the Group did not engage in the any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Year.

Gearing ratio

Gearing ratio is calculated based on the total debts divided by the total equity. The gearing ratio was approximately 3.7% and 12.7% as at 30 June 2016 and 2015, respectively. The decrease in gearing ratio was due to decrease in bank borrowings and increase in total equity during the Year.

Charge over assets of the Group

The Group had no pledged bank deposits as at 30 June 2016 (2015: HK\$5.0 million).

As at 30 June 2016, the Group had motor vehicles amounted to HK\$2.8 million vehicles held under finance leases (2015: HK\$1.4 million).

Significant investments, acquisitions and disposals

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the Year. Save for the business plan as disclosed in the prospectus of the Company dated 31 December 2014 (the "Prospectus"), there was no plan for material investments or capital assets as at 30 June 2016.

Contingent liabilities

One subsidiary of the Company is a defendant in a number of claims, lawsuits and potential claims relating to employees' compensation cases and personal injuries claims. The Directors considered that the possibility of any outflow in settling the legal claims was remote as these claims were well covered by insurance and subcontractors' indemnity. Accordingly, no provision for the contingent liabilities in respect of the litigations is necessary, after due consideration of each case and with reference to the legal opinion.

Save as disclosed above, the Group had no material contingent liabilities as at 30 June 2016 (2015: nil).

Prospects

Looking forward, with continuous spending on infrastructure and residential building works by public sector, the Group are expecting stable growth in the building and maintenance and renovation contracting service industry in Hong Kong, on which the Group keeps the business focus. Riding on the operating resources and experience, the Group believes that the Group can continue to maintain the competitive edge in the industry to capture the market share for building maintenance and renovation contracting services in Hong Kong.



Management Discussion and Analysis

Employees and remuneration policies

As at 30 June 2016, the Group had approximately 143 employees (2015: 127). The staff related costs included salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave. The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages were subject to review on a regular basis. The emoluments of the Directors and senior management have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

Dividends

The Board does not recommend the payment of a final dividend for the Year (2015: nil). The Company paid an interim dividend of HK\$86,613,000 to the Company's then sole shareholder during the year ended 30 June 2015.

Use of proceeds from the initial public offering

Our Shares were listed on the Stock Exchange on 14 January 2015. The total net proceeds from the initial public offering amounted to approximately HK\$64.5 million.

The total net proceeds received were applied by the Group consistent with the disclosures in the Prospectus.

Biographies Of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LAI Aizhong (賴愛忠先生), aged 51, is an executive Director and Chairman of the Board. He was graduated from the Beijing Technological College (*北京技術研修學院) and obtained the EMBA in Tsinghua University. Mr. LAI has extensive experience in corporate management, merger and acquisition and corporate taxation. He is currently the Chairman of the Board of Shenzhen Bosum Asset Management Limited (深圳市博商資產管理有限公司, “Shenzhen Bosum”), the Chairman of the Board of China Bosum Asset Management Limited (Hong Kong) (中國博商資產管理有限公司(香港)), the President of Tsinghua University in Shenzhen Bosum Association Industry Association (深圳清華大學博商同學會行業協會), the General Manager of Tsinghua University in Shenzhen Bo Business Partnership Fund (深圳市清華大學博商基金), the Guangdong Region Managing Partner of Zhejiang Changsheng Venture Capital Partnership (浙江常晟創業投資合夥企業), the Director of Guangzhou Aodelin Electronics Co., Ltd. (廣州市澳鐳林電子有限公司), and the Director of Seed Technology Co., Ltd. (西迪技術股份有限公司).

Mr. LIU Winson Wing Sun (廖永樂先生), aged 41, is an executive Director. Mr. LIU is one of our controlling shareholders. Mr. Liu is also a director of ABO Group Limited (“ABO”) and Sing Fat Construction Company, Limited (“Sing Fat Construction”), both are subsidiaries of the Company. He has over 13 years of experience in building maintenance and renovation contracting service industry in Hong Kong. Mr. LIU is primarily responsible for the overall management, strategic planning and business development of our Group. He is also our safety director who is responsible for overseeing all occupational health, safety and environmental matters of our Group. Mr. LIU also acts as one of our construction managers for project execution in respect of some of our projects. Mr. LIU joined our Group as a works coordinator in March 2002 and has been promoted to safety director in November 2005 and construction manager in January 2009. Prior to joining our Group in March 2002, he worked as an assistant valuer at the Associated Surveyors and Auctioneers Limited, a company principally engaged in property valuation and auctioneering services where he was responsible for providing assistance in property valuation and preparation of valuation reports.

Mr. LIU graduated from the University of Technology, Sydney in Australia in May 1999 with a Bachelor of Land Economics. He further obtained his diploma in construction, a distance learning course organised by the College of Estate Management in England in February 2004 and a professional diploma in corporate governance and directorship from the Hong Kong Institute of Directors in November 2008. Mr. LIU was admitted as an incorporate member of the Chartered Institute of Building in June 2004 and a member of the Australian Institute of Building in September 2007. He was admitted as a member of the Hong Kong Institute of Construction Managers in January 2009 and an associate of the Australian Property Institute in February 2011.

* for identification purpose only

Biographies Of Directors and Senior Management

Mr. KAN Yiu Keung (簡耀強先生), aged 49, is an executive Director and our chief executive officer (“Chief Executive Officer”). Mr. KAN is one of our controlling shareholders. He has over 30 years of experience in building maintenance and renovation contracting service industry in Hong Kong. Mr. KAN is primarily responsible for general management and day-to-day operation of our Group. He is a director of ABO and Sing Fat Construction and also our project director of our Group who is responsible for overseeing all projects with public sector customers, project management and monitoring the progress of all projects for public sector customers. Mr. KAN joined our Group as a project director in September 2000. Prior to joining our Group, he worked as a director of Rich China Engineering Limited (a subcontractor for building maintenance projects) from April 1998 to August 2000. From May 1994 to March 1998, he worked as a director of Jetkind Construction Engineering Limited which is also a subcontractor for building maintenance projects. From March 1991 to April 1994, he worked in Shing Kai Engineering Company as a site agent where he was mainly responsible for on-site management of building maintenance projects. From August 1985 to February 1991, he worked as a foreman for Shing Kai Engineering Company. Mr. KAN completed his secondary education and graduated from Sham Shui Po Secondary School in July 1985. He completed Site Safety Management Course and Accident Prevention Course organised by the University of Hong Kong in October and November 2004. Mr. KAN was admitted as a corporate member of the Asia Institute of Building in April 2009.

Mr. KAN Yiu Keung is the brother of Mr. KAN Yiu Kwok, who is one of our controlling shareholders and a non-executive Director.

Mr. CHAN Lo Kin (陳勞健先生), aged 64, is an executive Director and a member of the remuneration committee. Mr. CHAN is one of our controlling shareholders. He has over 37 years of experience in building maintenance and renovation contracting service industry in Hong Kong. Mr. CHAN is primarily responsible for day-to-day operation of our Group. He is a director of ABO and Sing Fat Construction and also our administration director who is our management representative responsible for managing our management system in accordance with ISO9001:2008 standards and requirements. Mr. CHAN joined our Group as a director of Sing Fat Construction in March 1992. Prior to joining our Group, he worked as a director of Chuen Shing Construction Company Limited from February 1991 to until August 2007. From October 1978 to January 1991, he worked as a general manager responsible for accounting matters of a sole proprietorship established in Hong Kong, which was principally engaged in metal works engineering. Mr. CHAN graduated from Yuet Wah College in (Macao) in June 1976.

Biographies Of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. KAN Yiu Kwok (簡耀國先生), aged 52, was appointed as a non-executive Director on 6 October 2014. Mr. KAN is one of our controlling shareholders. He has served as a director of Sing Fat Construction since September 2000.

Mr. KAN did not participate in the day-to-day management and operation of the Group. Since March 2000, he has been the managing director of Ying Wah Securities Company Limited, a licenced corporation to carry on Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance ("SFO"). Mr. KAN worked as a director of Rich China Engineering Limited (a subcontractor for building maintenance projects) from April 1998 to August 2000. From May 1994 to March 1998 he worked as director of Jetkind Construction Engineering Limited which is also a subcontractor for building maintenance and renovation service. From March 1991 to April 1994, he worked as a partner at Kai Shing Construction Company (a company primarily engaged in subcontracting works on building maintenance). Mr. KAN has been the vice-chairman of Guangzhou Haizhu Overseas Friendship Liaison Association since October 2009 which is an association for liaison with overseas Chinese. Mr. Kan studied in Lui Ming Choi Lutheran College from 1979 to 1981.

Mr. KAN Yiu Kwok is the brother of Mr. KAN Yiu Keung, who is one of our controlling shareholders and an executive Director and Chief Executive Officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. TONG Sze Wan (唐詩韻小姐), aged 44, is an independent non-executive Director, the Chairman of the audit committee, a member of each of the nomination committee and remuneration committee. Ms. TONG has over 19 years of experience in auditing and accounting. From November 2002 to March 2014, Ms. Tong was the company secretary of Jiangsu Nandasoft Technology Company Limited (a H-share company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8045) which is primarily engaged in the development, manufacturing and marketing of network security software, internet application software, educational software and business application software). Ms. TONG was an accounting manager from September 1998 to May 2000 in Dong-Jun Holdings Limited (now known as Heritage International Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 412) and is principally engaged in property development. She had also worked at Ernst & Young as an auditor during the period from August 1995 to October 1998. Ms. TONG graduated from Hong Kong Baptist University with a Bachelor in Accounting in November 1995. She is also an associate member of the Hong Kong Institute of Certified Public Accountants since February 2001 and a fellow member of Association of Chartered Certified Accountants since November 2003.

Mr. GUO Biao (郭彪先生), aged 33, is an independent non-executive Director, the Chairman of the remuneration committee and a member of each of the audit committee and nomination committee. He has a master degree in management from University of South China, and a bachelor degree in management from the Henan University of Economics & Laws. He has extensive experience in financial services industries. Mr. GUO is currently the Chief Investment Officer in Yue Xiu Investment & Consultancy Limited (越秀投資諮詢有限公司).

Biographies Of Directors and Senior Management

Ms. SONG Dan (宋丹小姐), aged 32, is an independent non-executive Director and a member of the audit committee. She graduated from the Xiangtan University, Xiangtan City, Hunan Province. She is a degree holder in financial management. She is currently the managing director of Hunan Huiming Agricultural Development Co., Ltd. (*湖南惠明農業發展有限公司). Ms. SONG had served as the president of retail banking in China Merchants Bank Company Limited (招商銀行股份有限公司). She has in-depth knowledge on financial and banking businesses.

SENIOR MANAGEMENT

Mr. CHEUNG Yat Ming (張日銘先生), aged 54, is the authorised signatory technical director and construction engineer of the Group. Mr. CHEUNG joined the Group as a technical director and construction engineer in August 1999. He has over 16 years of experience in construction engineering. Mr. CHEUNG is responsible for overseeing the engineering operations and the technical aspect of various projects. Prior to joining the Group, he worked as an engineer at Wong & Ouyang (Civil-Structural Engineering) Limited where he was responsible for engineering design work for various projects undertaken from September 1994 to December 1998. Mr. CHEUNG graduated from the University of Sheffield in England in July 1994 with a Bachelor of Engineering. Mr. CHEUNG is a registered professional engineer of the Hong Kong Engineers Registration Board. He is also a member of the Hong Kong Institution of Engineers.

Mr. LEE Yiu Hung (李耀雄先生), aged 54, is the safety manager of the Group. He has over 16 years of experience in safety management in construction projects. Mr. LEE is responsible for implementing and developing the safety and environmental management system and monitoring compliance of occupational health, safety and environmental compliance. Mr. LEE joined the Group as a safety supervisor in May 2008 and was promoted to safety officer in May 2009. He was further promoted to safety manager in 2013. Prior to joining the Group in May 2008, he worked as a safety supervisor at Jet Consultant Limited where he was responsible for assisting safety officer to implement site safety measures and monitor day-to-day site safety management from August 2002 to May 2008. Mr. LEE graduated from China University of Geoscience, Wuhan in April 2004 with a diploma in safety engineering and completed the Professional Auditing Safety Scheme (Safety Auditor Training Scheme) organised by the Hong Kong Safety Management Association in November 2010. Mr. LEE is a safety officer and safety auditor registered with the Labour Department.

* for identification purpose only

Biographies Of Directors and Senior Management

COMPANY SECRETARY

Mr. FUNG Nam Shan (馮南山先生), aged 39, holds a bachelor's degree in accounting awarded by the University of Newcastle, Australia. Mr. Fung has become a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2010 and a Certified Practising Accountant of CPA Australia since October 2003.

Currently, Mr. FUNG is an independent non-executive director of Energy International Investment Holdings Limited (currently listed on the Main Board ("Main Board") of the Stock Exchange (stock code: 0353)), the company secretary of Seamless Green China (Holdings) Limited, a company listed on the GEM of the Stock Exchange (stock code: 8150), the company secretary and authorised representative of Sky Forever Supply Chain Management Group Limited (currently listed on GEM (stock code: 8047)), the joint company secretary of Future Bright Mining Holdings Limited (currently listed on the Main Board (stock code: 2212)) and the company secretary of Thelloy Development Group Limited (currently listed on GEM (stock code: 8122)) and the company secretary and authorised representative of Fitec International Group Limited (currently listed on the Main Board (stock code: 2662)). Mr. FUNG served Zhejiang Chang'an Renheng Technology Co., Ltd. (currently listed on GEM (stock code: 8139)) as financial controller and secretary from April 2013 to March 2014. Mr. FUNG was employed as financial controller and company secretary of South China Land Limited (currently listed on GEM (stock code: 8155)) from February 2010 to April 2013. Mr. FUNG served for a reputable property development group as financial controller from 2009 to 2010. He has worked for PricewaterhouseCoopers as an audit manager for several years which he accumulated experience in auditing, accounting and taxation in Hong Kong and the PRC. He has been one of the marketing committee members of The Hong Kong Youth Hostels and also a member of its charity walk organising committee since 2012.



Directors' Report

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated on 17 September 2014 in the Cayman Islands. Pursuant to the group reorganization to rationalise the structure of the Group in preparation for its initial public offering and the Listing, the Company became the holding company of the companies now comprising the Group. Details of the group reorganisation in 2015 are set out in Note 26 to the Financial Statements.

The Company is domiciled in Hong Kong and has its principal place of business at Room 1402, 14/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 36 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the Year.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 41 of this annual report.

The Board does not recommend the payment of a final dividend for the Year (2015: nil). The Company paid an interim dividend of HK\$86,613,000 to the Company's then sole shareholder during the year ended 30 June 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company ("AGM") to be held on 30 November 2016, the register of members of the Company will be closed from Friday, 25 November 2016 to Wednesday, 30 November 2016, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on 24 November 2016.

RESERVES

Movements in the reserves of the Group during the Year are set out in consolidated statement of changes in equity on page 44 of this annual report.

Distributable reserves of the Company as at 30 June 2016 amounted to approximately HK\$55.0 million (2015: HK\$60.9 million).

Directors' Report

DONATIONS

During the Year, the Group did not make any charitable and other donations (2015: HK\$1.0 million).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 15 to the Financial Statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the Year are set out in Note 36 to the Financial Statements.

SHARE CAPITAL

The Company's total issued share capital as at 30 June 2016 was 1,118,800,000 ordinary Shares of HK\$0.01 per Share.

Details of movements in the share capital of the Company during the Year are set out in Note 26 to the Financial Statements.

BORROWINGS

Details of bank borrowings of the Group as at 30 June 2016 are set out in Note 22 to the Financial Statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the memorandum and articles of association of the Company and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new Share on a pro-rata basis to existing Shareholders.

PERMITTED INDEMNITY

Pursuant to the Company's Articles of Association (the "Articles"), all the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, cost, charges, losses, damages and expenses which they shall or may incur or sustain. In addition, the Company has arranged for appropriate Directors and officers liability insurance to indemnify its Directors and officers against liabilities arising out of legal action on corporate activities.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company on 18 December 2014, the Company adopted a share option scheme (the "Scheme") to attract and retain high quality staff, to provide additional incentive to employees (full-time or part-time), directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

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

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

The Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i.e. 18 December 2014) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

No share options were granted since the adoption of the Scheme and there are no outstanding share options at the end of each reporting period.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 100 of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year and up to the date of this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Directors' Report

DIRECTORS

The Directors during the Year and up to the date of this annual report are:

Executive Directors

Mr. LAI Aizhong	(appointed as an executive Director and the Chairman of the Board on 3 March 2016)
Mr. LIU Winson Wing Sun	(resigned as Chairman of the Board on 3 March 2016)
Mr. KAN Yiu Keung (Chief Executive Officer)	
Mr. CHAN Lo Kin	
Mr. GE Jin	(appointed on 30 September 2015 and resigned on 6 June 2016)

Non-executive Directors

Mr. LIU Su Ke	(resigned on 3 March 2016)
Mr. KAN Yiu Kwok	

Independent non-executive Directors

Ms. TONG Sze Wan	
Mr. GUO Biao	(appointed on 3 March 2016)
Ms. SONG Dan	(appointed on 3 March 2016)
Mr. KWONG Ping Man	(resigned on 3 March 2016)
Mr. LAM Yiu Por	(resigned on 3 March 2016)

Pursuant to article 108(a) of the Articles, Mr. LIU Winson Wing Sun, Mr. KAN Yiu Kwok and Ms. TONG Sze Wan shall retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") and all of them, being eligible, have offered themselves for re-election.

Pursuant to article 112 of the Articles, Mr. LAI Aizhong, Mr. GUO Biao and Ms. SONG Dan shall retire at the forthcoming AGM and all of them, being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Except for Mr. LAI Aizhong, each of the executive Directors and non-executive Directors has entered into a service contract with the Company from 14 January 2015 to the date of the AGM to be held in 2017. Mr. LAI Aizhong entered into a letter of appointment with the Company on 3 March 2016, pursuant to which Mr. LAI shall hold office until the next AGM.

Directors' Report

Ms. TONG Sze Wan, an independent non-executive Director, has entered into a service contract with the Company commencing from 14 January 2015 to the date of the AGM to be held in 2016. Mr. GUO Biao and Ms. SONG Dan, the independent non-executive Directors, have entered into letters of appointment with the Company commencing from 3 March 2016 to the date of next AGM.

Save as disclosed above, none of the Directors has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are determined by the remuneration committee of the Company with reference to their relevant qualifications, experience, competence and the prevailing market conditions. None of the Directors waived or agreed to waive any emoluments during the Year.

Senior management's remuneration of the Group during the Year falls within the following bands:

No. of individuals

Nil to HK\$1,000,000	2
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Details of the emoluments of the Directors and five highest paid individuals during the Year are set out in Notes 11 and 12 to the Financial Statements.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Year.

CONTROLLING SHAREHOLDERS' AND DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed under the sub-sections headed "Connected Transactions" and "Significant Events After The Reporting Period" below, and "Related Party Transactions" in Note 34 to the Financial Statements, there were no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries and fellow subsidiaries was a party and in which a Director and the Director's connected party or a controlling shareholder had a material interest, whether directly or indirectly, subsisted at the end of the Year and up to the date of this annual report or at any time during the Year.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and senior management of the Group as at the date of this annual report are set out on pages 12 to 16 of this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

During the Year and up to the date of this annual report, the changes in Directors' information which is required to be disclosed and has been disclosed by Directors pursuant to Rule 13.51B of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are set out below:

Name of Director	Details of changes
Mr. LAI Aizhong	Appointed as an executive Director and Chairman of the Board on 3 March 2016
Mr. GUO Biao	Appointed as an independent non-executive Director on 3 March 2016
Ms. SONG Dan	Appointed as an independent non-executive Director on 3 March 2016
Mr. LIU Winson Win Sun	Resigned as Chairman of the Board on 3 March 2016
Mr. LIU Su Ke	Resigned as a non-executive Director on 3 March 2016
Mr. KWONG Ping Man	Resigned as an independent non-executive Director on 3 March 2016
Mr. LAM Yiu Por	Resigned as an independent non-executive Director on 3 March 2016
Mr. GE Jin	Resigned as an executive Director on 6 June 2016

Directors' Report

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interest or short positions which they had taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules were as follows:

Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Mr. LAI Aizhong	Interest of a controlled corporation (Note)	8,240,000	0.74%

Note: These shares are held by Shenzhen Bosum Asset Management Limited ("Shenzhen Bosum"). Shenzhen Bosum is owned as to 51% by Mr. LAI Aizhong and hence Mr. LAI Aizhong is deemed to be interested in 8,240,000 shares held by Shenzhen Bosum under the SFO.

Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held/interested	Percentage of interest (approx.)
Mr. LAI Aizhong	Shenzhen Bosum	Beneficial owner	8,240,000	0.74%
Mr. LIU Winson Wing Sun	Profound Union Limited ("Profound")	Beneficial owner	2,500	5.58%
Mr. KAN Yiu Keung	Profound	Beneficial owner	5,000	11.16%
Mr. KAN Yiu Kwok	Profound	Beneficial owner	5,000	11.16%

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executive of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Report

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

As at 30 June 2016, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) have interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register of the Company referred to therein:

Name	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Profound	Beneficial owner	599,100,000	53.55%
Mr. LIU Su Ke	Beneficial owner	599,100,000	53.55%
	Interest of a controlled corporation (Note 1)	599,100,000	53.55%
Ms. HO Fung Chun	Interest of spouse (Note 2)	599,100,000	53.55%
Mr. CHEN Weizhong	Beneficial owner	112,650,000	10.07%
Mr. CHEN Qiongshan	Beneficial owner	100,830,000	9.01%

Notes:

1. These Shares are held by Profound, the entire issued share capital of which is legally and beneficially owned as to approximately 40.31% by Mr. LIU Su Ke, approximately 14.52% by Mr. LAI Kwan Hin, approximately 11.16% by Mr. KAN Yiu Keung, approximately 11.16% by Mr. KAN Yiu Kwok, approximately 6.42% by Mr. KAN Man Hoo, approximately 5.80% by Mr. YAU Shik Fan, Eddy, approximately 5.58% by Mr. LIU Winson Wing Sun and approximately 5.04% by Mr. CHAN Lo Kin. Therefore, Mr. LIU Su Ke is deemed, or taken to be, interested in all Shares held by Profound for the purpose of the SFO. Each of Mr. LIU Winson Wing Sun, Mr. LIU Su Ke, Mr. CHAN Lo Kin and Mr. KAN Yiu Keung is a director of Profound.
2. Ms. HO Fung Chun is the spouse of Mr. LIU Su Ke. Accordingly, Ms. HO Fung Chun is deemed, or taken to be, interested in all shares in which Mr. LIU Su Ke is interested in for the purpose of the SFO.

MAJOR SUBCONTRACTORS AND CUSTOMERS

During the Year, the largest subcontractor accounted for approximately 18.6% (2015: 30.5%) of the Group's total costs of services and the five largest subcontractors accounted for approximately 61.0% (2015: 66.3%) of the Group's total costs of services. The largest customer accounted for approximately 72.8% (2015: 63.9%) of the Group's total revenue and the five largest customers accounted for approximately 98.6% (2015: 95.7%) of the Group's total revenue.

To the best of the Directors' knowledge, none of the Directors, or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) and their respective close associates has an interest in the Group's five largest subcontractors and customers.

CONNECTED TRANSACTIONS

During the Year, the Group had the following continuing connected transaction under the Listing Rules:

Exempt Continuing Connected Transaction

The following transaction, which constitutes continuing connected transaction exempt from all reporting, annual review, announcement and independent shareholders' approval (including independent financial advice) requirements under Chapter 14A of the Listing Rules.

Lease agreement with Mega Billion Investment Limited ("Mega Billion")

Sing Fat Construction, as tenant, renewed the lease agreement with Mega Billion, as landlord, for a term of 2 years commencing from 1 July 2016 and ending on 30 June 2018 in respect of the office premises located at Workshops 1, 2, 3, 5, 6 and 7, 23/F, China United Plaza, 1008 Tai Nan West Street, Kowloon, Hong Kong ("Office Premises") with a total gross floor area of approximately 4,400 square feet for use by the Group as office at a monthly rental of HK\$82,000 (which was arrived at after arm's length negotiations between Sing Fat Construction and Mega Billion with reference to the prevailing market rent of the surrounding comparable office premises in the vicinity of the Office Premises based on the valuation of an independent valuer appointed by the Group).

Mega Billion is owned as to approximately 5.04% by Mr. CHAN Lo Kin, approximately 6.42% by Mr. KAN Man Hoo, approximately 11.16% by Mr. KAN Yiu Keung, approximately 11.16% by Mr. KAN Yiu Kwok, approximately 14.52% by Mr. LAI Kwan Hin, approximately 40.31% by Mr. LIU Su Ke, approximately 5.58% by Mr. LIU Winson Wing Sun and approximately 5.80% by Mr. YAU Shik Fan, Eddy. Each of Mr. CHAN Lo Kin, Mr. LIU Su Ke, Mr. LIU Winson Wing Sun and Mr. KAN Yiu Keung is also a director of Mega Billion. As confirmed by the Directors, except for holding of the Office Premises, Mega Billion has no other substantial operations up to the date of this annual report.

As Mega Billion is owned by the controlling shareholders and Mr. CHAN Lo Kin, Mr. LIU Winson Wing Sun, Mr. KAN Yiu Keung and Mr. KAN Yiu Kwok are the Directors, Mega Billion is a connected person of the Company under the Listing Rules. Accordingly, the transaction under the lease agreement constitutes continuing connected transaction of our Company under the Listing Rules.

The Directors (including our independent non-executive Directors) are of the view that the lease agreement has been entered into on normal commercial terms, on arm's length basis, in the ordinary and usual course of business of the Group and that the terms of the lease agreement are fair and reasonable and in the interests of our Shareholders as a whole.

The rental payable by our Group on an annual basis under the lease agreement will be approximately HK\$1.0 million for each of the two years ending 30 June 2018.

Since each of the applicable percentage ratios (other than the profits ratio) on an annual basis is less than 5% and the annual consideration payable under the lease agreement is less than HK\$3.0 million, the lease agreement is fully exempt from all reporting, annual review, announcement and independent shareholders' approval (including independent financial advice) requirements under Chapter 14A of the Listing Rules.

Except for the above, the Directors confirm that the Group does not have other connected transactions and continuing connected transactions as defined under the Listing Rules and have therefore complied with the disclosure requirement in accordance with Chapter 14A of the Listing Rules.

Directors' Report

The related party transactions of the Company are set out in Note 34 to the Financial Statements. Apart from the exempt continuing connected transactions disclosed above, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the percentage of public float as prescribed in the Listing Rules for the Year and up to the date of this annual report.

BUSINESS REVIEW

The business review of the Group for the Year is included in the Management Discussion and Analysis in this annual report on page 6.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Year and up to the date of this annual report.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between the Group and each of Mr. LIU Su Ke, Mr. LAI Kwan Hin, Mr. KAN Yiu Kwok, Mr. KAN Yiu Keung, Mr. KAN Man Hoo, Mr. YAU Shik Fan, Eddy, Mr. LIU Winson Wing Sun, Mr. CHAN Lo Kin and Profound (collectively, the "Covenantors"), each of the Covenantors has executed a deed of non-competition (collectively, the "Deeds") on 18 December 2014 in favour of the Company (for itself and for the benefit of each other member of the Group). Pursuant to the Deeds, during the period that the Deeds remain effective, each of the Covenantors irrevocably and unconditionally undertakes to the Company (for itself and for the benefit of each other member of the Group) that he/it shall not, and shall procure his or its associates (other than members of the Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

The Covenantors have confirmed to the Company of their compliance with the Deeds for disclosure in this annual report during the Year up to the date of this annual report.

All the independent non-executive Directors are delegated with the authority to review the Deeds given by the Covenantors. The independent non-executive Directors were not aware of any non-compliance of the Deeds given by the Covenantors during the Year and up to the date of this annual report.



Directors' Report

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 28 to 38 of this annual report.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There is no important events effecting the Group which have occurred since the end of the financial year.

AUDIT COMMITTEE

The audit committee had reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the Year.

AUDITOR

The Financial Statements have been audited by SHINEWING (HK) CPA Limited, who shall retire in the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution to re-appoint SHINEWING (HK) CPA Limited as the auditor will be submitted for Shareholders' approval at the forthcoming AGM.

On behalf of the Board

Mr. LAI Aizhong

Chairman

Hong Kong, 12 September 2016

Corporate Governance Report

CORPORATE GOVERNANCE CODE

The Company has a policy of seeking to comply with established best practice in corporate governance. The Board believes that good corporate governance is crucial to improving the efficiency and performance of the Group and to safeguarding the interests of its Shareholders.

The Company has adopted and complied with all code provisions (the “Code Provisions”) as set out under the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules during the Year save as disclosed in this report.

The Directors will carry out a regular review on the Company’s corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the Code Provisions from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors’ securities transactions. The Company has made specific enquiry of all Directors and the relevant employees regarding any non-compliance with the Model Code during the Year, and they have all confirmed that they had fully complied with the required standard set out in the Model Code.

Securities Transactions by Senior Management and Staff

The senior management and staff have been individually notified and advised about the Model Code by the Company.

BOARD OF DIRECTORS

Board composition

As at the date of this report, the Board comprises eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors (“INEDs”). The list of Directors is set out in the section headed “Directors’ Report” of this annual report.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors’ biographical information is set out in the section headed “Biographies of Directors and Senior Management” of this annual report.

Save as (i) Mr. KAN Yiu Keung is the brother of Mr. KAN Yiu Kwok; and (ii) Mr. LIU Su Ke is the father of Mr. LIU Winson Wing Sun, the Directors have no financial, business, family or other material or relevant relationship with each other.

Corporate Governance Report

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of the Group. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the nomination committee of the Company, and where appropriate, revisions will be made with the approval from the Board.

Role and function

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to each of the Company's audit committee ("Audit Committee"), nomination committee ("Nomination Committee") and remuneration committee ("Remuneration Committee"). Further details of these committees are set out in the sections headed "Audit Committee", "Nomination Committee" and "Remuneration Committee" below.

Board meetings

The Board met regularly to discuss and formulate the overall strategy to monitor the operation and financial performance of the Group. Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held as at least four times a year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications.

During the Year, a total of thirteen (13) Board meetings and one (1) general meeting were held and the attendance records are as follows:

Name of Director	Meetings attended/Eligible to attend	
	Board meetings	General meetings
Executive Directors		
Mr. LAI Aizhong (Chairman)	2/2	0/0
Mr. LIU Winson Wing Sun	13/13	1/1
Mr. KAN Yiu Keung (Chief Executive Officer)	12/13	1/1
Mr. CHAN Lo Kin	13/13	0/1
Mr. GE Jin	2/8	0/1
Non-executive Directors		
Mr. KAN Yiu Kwok	12/13	0/1
Mr. LIU Su Ke	10/13	0/1
INEDs		
Ms. TONG Sze Wan	10/13	1/1
Mr. KWONG Ping Man	8/13	1/1
Mr. LAM Yiu Por	8/13	1/1
Mr. GUO Biao	2/2	0/0
Ms. SONG Dan	1/1	0/0

Corporate Governance Report

Code provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Both non-executive Directors were not able to attend the AGM held on 20 November 2015 due to their respective business engagements. Other Board members who attend the AGM were already of sufficient calibre and number for answering questions raised by the Shareholders at that AGM.

Independent non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has currently appointed three INEDs. Ms. TONG Sze Wan has been appointed for a term commencing from 14 January 2015 and up to the AGM of the Company to be held in 2016. Mr GUO Biao and Ms. SONG Dan have entered into letters of appointment with the Company for a term commencing from 3 March 2016 to the date of the AGM to be held in 2016.

All of the three INEDs have appropriate professional qualifications or accounting or related financial management expertise. Every Director is subject to retirement by rotation at least once every three years in accordance with the memorandum and articles of association of the Company.

The Company has received, from each of the INEDs, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDS are independent.

The INEDs are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the INEDs brings his/her own relevant expertise to the Board and its deliberations. None of the INEDs has any business or financial interests with the Group nor has any relationship with other Directors.

Directors' training and professional development

In compliance with Code Provision A.6.5 of the CG Code, the Group has provided funding to all the Directors to participate in continuous professional development organised in the form of in-house training and seminars to keep them refreshed of their knowledge and skills and understanding of the Group and its business to update their skills and knowledge on the latest development or changes in the relevant statutes, the Listing Rules and corporate governance practices. The Company will also update the Directors of any material changes in the Listing Rules and corporate governance practices from time to time.

Corporate Governance Report

The training of each Director received during the Year is summarized as below:

Name of Director	Reading materials regarding regulatory update and corporate governance matters	Attending in-house training/seminars relevant to the Company's business, Listing Rules compliance and risk management
Executive Directors		
Mr. LAI Aizhong (Chairman)	✓	✓
Mr. LIU Winson Wing Sun	✓	✓
Mr. KAN Yiu Keung (Chief Executive Officer)	✓	✓
Mr. CHAN Lo Kin	✓	✓
Mr. GE Jin	✓	✓
Non-executive Directors		
Mr. KAN Yiu Kwok	✓	✓
Mr. LIU Su Ke	✓	✓
INEDs		
Ms. TONG Sze Wan	✓	✓
Mr. GUO Biao	✓	✓
Ms. SONG Dan	✓	✓
Mr. KWONG Ping Man	✓	✓
Mr. LAM Yiu Por	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provisions A.2.1 of CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. LAI Aizhong Sun serves as the Chairman of the Company. Mr. LAI is responsible for overall business strategy and major business decisions of the Group. Mr. KAN Yiu Keung serves as the Chief Executive Officer of the Company. Mr. KAN Yiu Keung is responsible for general management and day-to-day operation of the Group.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company has established the Nomination Committee on 17 December 2014. The Nomination Committee has from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experiences are appropriate for the businesses of the Group.

Corporate Governance Report

Except for Mr. LAI Aizhong, each of the executive Directors and non-executive Directors has entered into a service contract with the Company from 14 January 2015 to the date of the AGM to be held in 2017. Mr. LAI Aizhong entered into a letter of appointment with the Company on 3 March 2016, pursuant to which Mr. LAI Aizhong shall hold office until the next AGM.

Ms. TONG Sze Wan, an independent non-executive Director, has entered into a service contract with the Company commencing from 14 January 2015 to the date of the AGM to be held in 2016. Mr. GUO Biao and Ms. SONG Dan, the independent non-executive Directors, have entered into letters of appointment with the Company from 3 March 2016 to the date of next AGM.

In accordance with Article 108(a) of the Articles of Association of the Company, at each annual general meeting, at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

In accordance with Article 112 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next AGM and shall then be eligible for re-election.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Nomination Committee and Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange and are available to Shareholders upon request.

Audit Committee

The Audit Committee was established on 17 December 2014 in compliance with Rule 3.21 of the Listing Rules with written terms of reference in compliance with the CG Code. Our Audit Committee consists of Ms. TONG Sze Wan, Mr. GUO Biao and Ms. SONG Dan. Currently, Ms. Tong Sze Wan is the chairman of the Audit Committee.

The principal responsibilities of the Audit Committee include:

- reviewing the Company's annual financial statements;
- reviewing and monitoring the extent of the non-audit work undertaken by external auditors;
- advising on the appointment of external auditors; and
- reviewing the effectiveness of our Company's internal audit activities, internal controls and risk management systems.

During the Year, the Board had no disagreement with the Audit Committee's view on the re-appointment of the independent auditor. This annual report has been reviewed by the Audit Committee.

Corporate Governance Report

During the Year, the Audit Committee held two meetings (i) to review the Group's financial results for the year ended 30 June 2015; (ii) to review the interim results for the period ended 31 December 2015; (iii) to oversee the audit process; (iv) to review the internal control system and (v) to recommend the re-appointment of independent auditor. Subsequent to the end of the Year and up to the date of this annual report, a meeting of the Audit Committee was held on 12 September 2016 to review the Group's financial result for the Year for submission to the Board for approval, review internal control and risk management system of the Group and make recommendation on the re-appointment of the independent auditor.

Attendance at meetings of the Audit Committee during the Year is as follows:

Name of Directors	Meetings attended/Eligible to attend
Ms. TONG Sze Wan	2/2
Mr. GUO Biao (appointed on 3 March 2016)	0/0
Ms. SONG Dan (appointed on 3 March 2016)	0/0
Mr. KWONG Ping Man (resigned on 3 March 2016)	2/2
Mr. LAM Yiu Por (resigned on 3 March 2016)	2/2

Nomination Committee

Nomination Committee was established on 17 December 2014 with written terms of reference in compliance with the CG Code. Our Nomination Committee consists of Mr. LAI Aizhong, Ms. TONG Sze Wan and Mr. GUO Biao. Currently, Mr. LAI is the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee include:

- assisting our Board in discharging its responsibilities relating to the composition of our Board;
- evaluating the balance of skills, knowledge and experience on our Board;
- evaluating the size, structure and composition of our Board; and
- evaluating the retirements and appointments of additional and replacement Directors and making appropriate recommendations to our Board on such matters.

During the Year, three meetings of the Nomination Committee were held (i) to review the structure, size and composition of the Board; (ii) to review the board diversity policy; (iii) to assess the independence of the INEDs; (iv) to make recommendation to the Board on the proposal of re-appointment of Directors; and (v) to nominate executive Directors and INEDs. Subsequent to the Year and up to the date of this annual report, a meeting of the Remuneration Committee was held on 12 September 2016 to review the structure, size and composition (including the skills, knowledge and experience) of the Board and the board diversity policy, assess the independence of the INEDs and make recommendations to the Board on the proposal of re-appointment of Directors at the forthcoming AGM.

Attendance at meetings of the Nomination Committee during the Year is as follows:

Name of Directors	Meetings attended/Eligible to attend
Mr. LIU Winson Wing Sun	2/2
Ms. TONG Sze Wan	3/3
Mr. KWONG Ping Man	2/2
Mr. LAI Aizhong	1/1
Mr. GUO Biao	1/1

Corporate Governance Report

Remuneration Committee

Remuneration Committee was established on 17 December 2014 in compliance with Rule 3.25 of the Listing Rules with written terms of reference in compliance with the CG Code. The Remuneration Committee consists of Mr. GUO Biao, Ms. TONG Sze Wan and Mr. CHAN Lo Kin. Currently, Mr. GUO Biao is the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy on executive Director's remuneration;
- determining, the individual remuneration and benefits package of each of the executive Directors; and
- recommending and monitoring the remuneration of senior management below Board level.

During the Year, two meetings of the Remuneration Committee were held. Subsequent to the Year and up to the date of this annual report, a meeting of the Remuneration Committee was held on 12 September 2016 to review the performance and remuneration packages of individual Directors and senior management.

Attendance at meetings of Remuneration Committee during the Year is as follows:

Name of Directors	Meetings attended/Eligible to attend
Mr. CHAN Lo Kin	2/2
Mr. LAM Yiu Por	2/2
Ms. TONG Sze Wan	2/2
Mr. GUO Biao	0/0

Details of the Directors' remuneration are set out in Note 11 to the Financial Statements.

CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

- to develop and review the policies and practices of the Company on corporate governance and make recommendations;
- to review and monitor the training and professional development of the Directors and senior management;
- to monitor and review the policies and practices of the Company in compliance with legal and regulatory requirements;
- to develop, monitor and review the code of conduct and compliance manual applicable to the Directors and employees; and
- to review the Company's compliance with the Code Provisions of the CG Code and disclosure in the corporate governance report.

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the CG Code. As at the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of Directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the CG Code disclosures requirements.

Corporate Governance Report

AUDITOR'S REMUNERATION

The Audit Committee of our Company is responsible for considering the appointment and re-election of our Company's external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to our Company. During the Year, our Group is required to pay to our external auditor, SHINEWING (HK) CPA Limited, for the audit service in relation to the audit of annual consolidated financial statements for the Year of HK\$0.9 million and non-audit services provided to the Group in respect to the Company's preparation for interim review of condensed consolidated financial statements for the period ended 31 December 2015 was approximately HK\$0.3 million, totaling HK\$1.2 million in aggregate.

COMPANY SECRETARY

The company secretary, Mr. FUNG Nam Shan, was appointed by the Board on 3 March 2016. Mr. FUNG is nominated by an external service provider to assist in company secretarial affairs of the Company. Mr. FUNG's primary contact person at the Company is the Chairman of the Company, Mr. LAI Aizhong. Mr. FUNG has confirmed that he has taken no less than 15 hours of relevant professional training during the Year in compliance with Rule 3.29 of the Listing Rules. His biographical details are set out in the section headed "Biographies of Directors and Senior Management".

INTERNAL CONTROL

The Board and the senior management are responsible for maintaining, improving and monitoring the internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

During the Year, the Board has reviewed, through the Audit Committee, the Group's internal control system and is not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the internal control system. The Board has considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

According to the Stock Exchange's proposal on risk management and internal control under the CG Code applicable to accounting periods of listed companies commencing on or after 1 January 2016, the Board would oversee the Company's risk management and internal control system on an ongoing basis.

Corporate Governance Report

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the financial statements of the Group and to ensure that the financial statements of the Group are prepared in a manner which give a true and fair view of the state of affairs of the Group on a going concern basis and are in compliance with the relevant accounting standards and principals, applicable laws and disclosure provisions required of the Listing Rules. In presenting the financial statements, announcements and other financial disclosures required under the Listing Rules, the Directors aim to present to a balanced, clear and understandable assessment of the position and prospects of the Group. The Directors are of the view that the financial statements of the Group for each financial year have been prepared on this basis. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditors of the Company and the Group regarding their reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditor's Report on pages 39 and 40 of this annual report.

SHAREHOLDERS' RIGHTS

General meeting

The general meeting of the Company provides an opportunity for communication between the Shareholders and the Board. The Chairman of the Board as well as chairmen of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, their duly appointed delegates are available to answer questions at the Shareholders' meetings. The auditor of the Company is also invited to attend the Company's AGM and is available to assist the Directors in addressing queries from the Shareholders relating to the conduct of the audit and the preparation and contents of the Independent Auditor's Report. Separate resolutions are proposed at the AGM on each substantial issue, including the election of individual Directors.

Notice of the AGM together with related papers are sent to the Shareholders at least 20 clear business days prior to the meeting, setting out details of each proposed resolution, voting procedures and other relevant information. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded or otherwise required under the Listing Rules, in accordance with Article 72 of the articles of association of the Company (the "Articles of Association"). The Chairman will explain such rights and procedures during the AGM before voting on the resolutions.

Corporate Governance Report

Shareholders can make a requisition to convene an extraordinary general meeting (“EGM”) pursuant to Article 64 of the Articles of Association of the Company. The procedures for the Shareholders to convene an EGM are as follows:

1. Any one or more Shareholders (the “Requisitionist”) holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.
2. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) shall be reimbursed by the Company.

Procedures for Shareholders to put forward proposals at Shareholders’ meetings

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal (the “Proposal”) together his/her detailed contact information at the Company’s principal place of business in Hong Kong at Room 1402, 14/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong in the same manner as set out above.

The request will be verified with the Company’s branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

- At least 21 days’ notice in writing if the Proposal requires approval by way of a special resolution of the Company in an EGM or resolution of the Company in an AGM.
- At least 14 days’ notice in writing if the Proposal requires approval in any other EGM.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS

The Company aims to promote and maintain effective communications with Shareholders and potential investors to ensure that the information of the Group is disseminated to Shareholders and potential investors in a timely manner and enable them to have a clear assessment of the enterprise performance.

Extensive information on the activities of the Group and financial position will be disclosed in the annual report, interim report, announcements and other corporate communications which will be sent to Shareholders and/or published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yat-sing.com.hk). The Directors, company secretary or other appropriate members of the senior management also respond to inquiries from the Shareholders and prospective investors promptly.

Corporate Governance Report

Procedures for Shareholders to direct enquiries to the Company

For matters in relation to the Board, Shareholders can contact the Company as follows:

Address: Room 1402, 14/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Email: info@yat-sing.com.hk
Tel: (852) 2386 0066
Fax: (852) 2563 0813

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the registered Shareholder can contact:

Branch Share Registrar and Transfer Office in Hong Kong

Union Registrars Limited

Address: Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road,
North Point, Hong Kong

Tel: (852) 2849 3399

Fax: (852) 2849 3319

CONSTITUTIONAL DOCUMENTS

On 18 December 2014, the Company adopted an amended and restated memorandum and Articles of Association, a copy of which has been posted on the websites of the Company (www.yat-sing.com.hk) and the Stock Exchange (www.hkexnews.hk).

There had been no changes in the constitutional documents of the Company during the Year.

Independent Auditor's Report



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF YAT SING HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Yat Sing Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 41 to 99, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

Independent Auditor's Report

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 30 June 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Hon Kei, Anthony

Practising Certificate Number: P05591

Hong Kong

12 September 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	5	488,065	503,195
Cost of services		(443,118)	(450,790)
Gross profit		44,947	52,405
Other income	7	322	332
Loss on fair value change on held-for-trading investments		(1,135)	–
Administrative expenses		(26,579)	(35,836)
Finance costs	8	(409)	(414)
Profit before taxation		17,146	16,487
Income tax expense	9	(5,491)	(5,525)
Profit and total comprehensive income for the year	10	11,655	10,962
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		11,581	10,839
Non-controlling interests		74	123
		11,655	10,962
Earnings per share (HK cents)			
Basic and diluted	14	1.0	1.0

Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment	15	5,100	3,331
Available-for-sale investments	16	1,974	1,974
Rental deposit	19	780	–
Deposits paid for property, plant and equipment		–	222
		<u>7,854</u>	<u>5,527</u>
Current assets			
Held-for-trading investments	17	3,881	–
Amounts due from customers for contract work	18	–	–
Trade and other receivables	19	218,213	199,848
Pledged bank deposits	20	–	5,000
Bank balances and cash	20	52,396	98,901
		<u>274,490</u>	<u>303,749</u>
Current liabilities			
Trade and other payables	21	104,689	129,610
Bank borrowings	22	–	10,116
Obligations under finance leases – due within one year	23	1,408	817
Tax payable		4,184	8,812
		<u>110,281</u>	<u>149,355</u>
Net current assets		<u>164,209</u>	<u>154,394</u>
Total assets less current liabilities		<u>172,063</u>	<u>159,921</u>
Non-current liabilities			
Other payables	21	125	–
Obligations under finance leases – due after one year	23	477	313
Long service payment obligations	24	326	218
Deferred tax liabilities	25	415	325
		<u>1,343</u>	<u>856</u>
Net assets		<u>170,720</u>	<u>159,065</u>

Consolidated Statement of Financial Position

As at 30 June 2016

	Note	2016 HK\$'000	2015 HK\$'000
Capital and reserves			
Share capital	26	11,189	11,189
Reserves		159,040	147,459
		<hr/>	<hr/>
Equity attributable to:			
Owners of the Company		170,229	158,648
Non-controlling interests		491	417
		<hr/>	<hr/>
Total equity		170,720	159,065
		<hr/> <hr/>	<hr/> <hr/>

The consolidated financial statements on pages 41 to 99 were approved and authorised for issue by the board of directors on 12 September 2016 and are signed on its behalf by:

LAI Aizhong
Director

LIU Winson Wing Sun
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Attributable to owners of the Company					Non-controlling interests	Total
	Share capital	Share Premium	Other reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2014	9,310	-	-	145,923	155,233	681	155,914
Profit and total comprehensive income for the year	-	-	-	10,839	10,839	123	10,962
Dividend recognised as distribution (Note 13)	-	-	-	(86,613)	(86,613)	-	(86,613)
Dividend recognised as distribution to non-controlling interests (Note 13)	-	-	-	-	-	(387)	(387)
Elimination of share capital on group reorganisation	(9,310)	-	9,310	-	-	-	-
Shares issued on group reorganisation	9,790	-	(9,790)	-	-	-	-
Issue of new shares (Note 26)	1,399	82,511	-	-	83,910	-	83,910
Share issue expenses	-	(4,721)	-	-	(4,721)	-	(4,721)
At 30 June and 1 July 2015	11,189	77,790	(480)	70,149	158,648	417	159,065
Profit and total comprehensive income for the year	-	-	-	11,581	11,581	74	11,655
At 30 June 2016	<u>11,189</u>	<u>77,790</u>	<u>(480)</u>	<u>81,730</u>	<u>170,229</u>	<u>491</u>	<u>170,720</u>

Note: Other reserve represented the difference between the nominal value of the issued share capital of Sing Fat Construction Company, Limited ("Sing Fat Construction") and ABO Group Limited ("ABO") in aggregate amount of approximately HK\$9,310,000 over nominal value of the share capital of the Company in amount of HK\$9,790,000 issued in exchange thereof, pursuant to the group reorganisation.

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	2016 HK\$'000	2015 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	17,146	16,487
Adjustments for:		
Depreciation of property, plant and equipment	1,117	718
Finance costs	409	414
Written off on other receivables	–	300
Net loss on disposal of property, plant and equipment	216	53
Provision of long service payment obligation	108	–
Bank interest income	(267)	(230)
Loss on fair value change on held-for-trading investments	1,135	–
	<hr/>	<hr/>
Operating cash flows before movements in working capital	19,864	17,742
(Increase) decrease in trade and other receivables	(19,145)	59,427
Decrease in trade and other payables	(24,796)	(27,115)
	<hr/>	<hr/>
Cash (used in) generated from operations	(24,077)	50,054
Hong Kong Profits Tax paid	(10,029)	(5,810)
	<hr/>	<hr/>
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(34,106)	44,244
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Purchase of held-for-trading investments	(5,016)	–
Purchase of property, plant and equipment	(1,486)	(47)
Maturity of pledged bank deposits	5,000	6
Proceeds from disposal of property, plant and equipment	1,228	190
Interest received	267	230
Deposit paid for acquisition of property, plant and equipment	–	(222)
	<hr/>	<hr/>
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(7)	157
	<hr/>	<hr/>
FINANCING ACTIVITIES		
Repayment of bank borrowings	(40,116)	(14,179)
Repayment of obligations under finance lease	(1,867)	(1,257)
Interest paid	(409)	(414)
New bank borrowings raised	30,000	11,649
Dividend paid	–	(87,156)
Share issue expenses	–	(4,721)
Repayment to a director	–	(140)
Proceeds from issue of shares	–	83,910
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	(12,392)	(12,308)
	<hr/>	<hr/>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(46,505)	32,093
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	98,901	66,808
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	52,396	98,901
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

1. GENERAL

The Company was incorporated in the Cayman Islands on 17 September 2014 as an exempted company with limited liability and its shares have been listed on the Main Board of The Stock Exchange since 14 January 2015. Its ultimate and immediate holding company is Profound Union Limited (“Profound”), a company incorporated in the British Virgin Islands (the “BVI”), which is beneficially owned by Mr. Liu Su Ke, Mr. Chan Lo Kin, Mr. Kan Man Hoo, Mr. Kan Yiu Keung, Mr. Kan Yiu Kwok, Mr. Lai Kwan Hin, Mr. Yau Shik Fan, Eddy and Mr. Liu Winson Wing Sun. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts an investment holding company and the principal activities of its subsidiaries are set out in Note 36.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is also the functional currency of the Company.

Group restructuring and basis of presentation of consolidated financial statements

Prior to and after the reorganisation, the provision of building maintenance services and renovation services were carried out by Sing Fat Construction. To rationalise the corporate structure in preparation for the Listing, the Company was incorporated in the Cayman Islands on 17 September 2014 and the Group underwent the reorganisation, as detailed in the paragraph headed “Corporate Reorganisation” in Appendix IV to the prospectus of the Company dated 31 December 2014 (the “Reorganisation”). Upon completion of the Reorganisation, the Company became the holding company of the Group on 1 December 2014. The companies that took part in the Reorganisation were controlled by the same ultimate equity shareholders, including Mr. Liu Su Ke, Mr. Chan Lo Kin, Mr. Kan Man Hoo, Mr. Kan Yiu Keung, Mr. Kan Yiu Kwok, Mr. Lai Kwan Hin, Mr. Liu Winson Wing Sun and Mr. Yau Shik Fan, Eddy (collectively referred to as the “Controlling Shareholders”) throughout the year ended 30 June 2015 or since their respective date of incorporation up to 30 June 2015 where this is a shorter period.

As there was no change in the Controlling Shareholders before and after the Reorganisation, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 30 June 2015 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the respective years or since their respective date of incorporation where this is a shorter period.

Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as if the group structure under the Reorganisation had been in existence throughout the year ended 30 June 2015 or since their respective dates of incorporation whichever is the shorter period.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”)

The Group has applied all the HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations issued by the HKICPA which are effective for the Group’s financial year beginning on 1 July 2015.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9 (2014)	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 16	Leases ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 7	Disclosure Initiative ²
Amendments to HKAS 12	Recognition of Deferred Tax Assets to Unrealised Losses ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKFRS 15	Clarification to HKFRS 15 ³

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

⁴ Effective for annual periods beginning on or after 1 January 2019

⁵ Effective date not yet been determined

The directors of the Company (the “Directors”) anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) (Continued)

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designed as at fair value through profit or loss (“FVTPL”), HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL was presented in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors anticipate that the adoption of HKFRS 9 (2014) in the future may have an impact on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in HKFRS 39 with an expected loss impairment model that will apply to various exposures to credit risk. HKFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. The Group is in the process of assessing the potential impact on the financial performance resulting from the adoption of HKFRS 9. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) (Continued)

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- i) Identify the contract with the customer;
- ii) Identify the performance obligations in the contract;
- iii) Determine the transaction price;
- iv) Allocate the transaction price to the performance obligations; and
- v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) (Continued)

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective. HKFRS 16 replaces all existing lease accounting requirements and represents a significant change in the accounting and reporting of leases, with more assets and liabilities to be reported on the consolidated statement of financial position and a different recognition of lease costs.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16. Application of HKFRS 16 may result in the recognition of right-of-use assets and corresponding lease liabilities in respect of the lease arrangements of the Group as a lessee. The Directors are in the process of assessing their impact on the financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) (Continued)

Annual Improvement to HKFRSs 2012 – 2014 Cycle

The Annual Improvements to HKFRSs 2012 – 2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements ‘if not disclosed elsewhere in the interim financial report’. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012 – 2014 Cycle will have a material effect on the Group’s consolidated financial statements

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) (Continued)

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The Directors anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKAS 1 until the Group performs a detailed review.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) (Continued)

Amendments to HKAS 7 Disclosure Initiative

The amendments to HKAS 7 require entities to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments should be applied retrospectively and will be effective from 1 January 2017. Early application is permitted. When the entity applies Amendments to HKAS 7, it is not required to provide comparative information for preceding periods.

The Directors anticipate that the application of Amendments to HKAS 7 in the future may have a material impact on the consolidated statement of cash flows in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of Amendments to HKAS 7 until the Group performs a detailed review.

Amendments to HKFRS 15 Revenue from Contracts with Customers

The amendments to HKFRS 15 provide certain clarification and outline as follows:

- clarify when a promised good or service is separately identifiable from other promises in a contract (i.e. distinct within the context of the contract), which is part of an entity’s assessment of whether a promised good or service is a performance obligation;
- clarify how to apply the principal versus agent application guidance to determine whether the nature of an entity’s promise is to provide a promised good or service itself (i.e. the entity is a principal) or to arrange for goods or services to be provided by another party (i.e. the entity is an agent);
- clarify for a licence of intellectual property when an entity’s activities significantly affect the intellectual property to which the customer has rights, which is a factor in determining whether the entity recognises revenue over time or at a point in time;
- clarify the scope of the exception for sales-based and usage-based royalties related to licences of intellectual property (the royalty constraint) when there are other promised goods or services in the contract; and
- add two practical expedients to the transition requirements of HKFRS 15 for:
 - (a) completed contracts under the full retrospective transition approach; and
 - (b) contract modifications at transition.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) (Continued)

Amendments to HKFRS 15 Revenue from Contracts with Customers (Continued)

The amendments to HKFRS 15 do not change the effective date of HKFRS 15 and therefore will be effective for annual periods beginning or after 1 January 2018. Early application the amendments to HKFRS 15 together with HKFRS 15 continue to be permitted.

The Directors anticipate that the application of amendments to HKFRS 15 together with the HKFRS 15 in the future may have a material impact on amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of amendments to HKFRS 15 until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving entities under common control

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business, net of discounts and sales related taxes.

Revenue from building maintenance and renovation services are recognised when services are provided.

The Group's policy for recognition of revenue from construction services is described in the accounting policy headed "Construction contracts" below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by reference to the percentage of surveys of work performed for individual contract up to the reporting date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts (Continued)

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

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.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits cost and termination benefits

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group's net obligations in respect of long service payment to its employees on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributed to contributions made by the Group.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of other short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment, including land and buildings held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using straight line method for leasehold improvement and using diminishing balance method for the other property, plant and equipment. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and bank deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables, available-for-sale financial assets and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including rental deposit, trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial asset

Available-for-sale financial asset is non-derivative that is either designated as available-for-sale or is not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset are held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains and losses line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in manner described in Note 28.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investments revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities including trade and other payables, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGUs) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

When measuring fair value for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying the Group's accounting policies

The followings are the critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Contingent liabilities in respect of litigation claims

Contingent liabilities arising from litigation claims have been assessed by the management with reference to legal advice and historical records. The Directors consider that no provision for the contingent liabilities in respect of the litigation is necessary after due consideration of each case and with reference to legal advice and historical records.

Key sources of estimation uncertainty

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

Revenue recognition

For some contracts, income is recognised based on management's estimation of the value of each works order. Thereafter, customers would undertake detailed assessment of all completed works orders before finalisation of the contracts which normally last for three years. During the assessment process, the actual value of completed works orders assessed by the customers may be higher or lower than the estimates and this will affect the Group's revenue recognised.

Depreciation of property, plant and equipment

Items of property, plant and equipment are depreciated using diminishing method. The determination of the depreciation methods and rates involves management's estimation. The Group assesses annually the depreciation methods and rates of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period. As at 30 June 2016, the carrying amount of property, plant and equipment was approximately HK\$5,100,000 (2015: HK\$3,331,000).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 30 June 2016, the Directors considered that there is no impairment indication and the carrying values of property, plant and equipment are approximately HK\$5,100,000 (2015: HK\$3,331,000).

Estimated impairment of trade and other receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. During the year ended 30 June 2016, no impairment loss on trade and other receivables is made. As at 30 June 2016, the carrying value of trade and other receivables are approximately HK\$218,213,000 (2015: HK\$199,848,000).

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2016 HK\$'000	2015 HK\$'000
Revenue from:		
Building maintenance services	341,320	316,665
Renovation services	146,745	186,530
	<u>488,065</u>	<u>503,195</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

6. SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the chairman of the Board, being the chief operating decision maker (the "CODM") for the purposes of resources allocation and performance assessment of segment performance focuses on services provided are as follows:

- i) Building maintenance; and
- ii) Renovation.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 30 June 2016

	Building maintenance HK\$'000	Renovation HK\$'000	Total HK\$'000
Segment revenue	<u>341,320</u>	<u>146,745</u>	<u>488,065</u>
Segment profit	<u>41,537</u>	<u>3,194</u>	<u>44,731</u>
Unallocated corporate income			322
Loss on fair value change on held-for-trading investments			(1,135)
Central administration costs			(26,363)
Finance costs			(409)
Profit before taxation			<u>17,146</u>

For the year ended 30 June 2015

	Building maintenance HK\$'000	Renovation HK\$'000	Total HK\$'000
Segment revenue	<u>316,665</u>	<u>186,530</u>	<u>503,195</u>
Segment profit	<u>41,024</u>	<u>11,100</u>	52,124
Unallocated corporate income			332
Central administration costs			(35,555)
Finance costs			(414)
Profit before taxation			<u>16,487</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of certain unallocated corporate income, loss on fair value change on held-for-trading investments, central administration costs and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

There were no inter-segment sales between different business segments for the years ended 30 June 2016 and 2015.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	2016 HK\$'000	2015 HK\$'000
Segment assets		
Building maintenance	110,742	98,080
Renovation	106,492	103,481
Total segment assets	217,234	201,561
Unallocated corporate assets	65,110	107,715
Total assets	<u>282,344</u>	<u>309,276</u>
Segment liabilities		
Building maintenance	56,983	46,846
Renovation	43,744	78,530
Total segment liabilities	100,727	125,376
Unallocated corporate liabilities	10,897	24,835
Total liabilities	<u>111,624</u>	<u>150,211</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, available-for-sale investments, rental deposit, held-for-trading investments, certain other receivables, pledged bank deposits and bank balances and cash as these assets are managed on a group basis.
- all liabilities are allocated to operating segments other than certain other payables, bank borrowings, obligations under finance leases, tax payable, long service payment obligations and deferred tax liabilities as these liabilities are managed on a group basis.

Other segment information

For the year ended 30 June 2016

	Building maintenance HK\$'000	Renovation HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	2,461	-	1,869	4,330
Depreciation of property, plant and equipment	694	-	423	1,117
Loss on disposal of property, plant and equipment	216	-	-	216
	<u>2,461</u>	<u>-</u>	<u>1,869</u>	<u>4,330</u>
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:				
Bank interest income	-	-	(267)	(267)
Loss on fair value change on held-for-trading investments	-	-	1,135	1,135
Finance costs	-	-	409	409
Income tax expense	-	-	5,491	5,491
	<u>-</u>	<u>-</u>	<u>5,491</u>	<u>5,491</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 30 June 2015

	Building maintenance HK\$'000	Renovation HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	1,108	–	–	1,108
Depreciation of property, plant and equipment	415	–	303	718
(Gain) Loss on disposal of property, plant and equipment	(19)	–	72	53
Written off on other receivables	300	–	–	300
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:				
Bank interest income	–	–	(230)	(230)
Finance costs	–	–	414	414
Income tax expense	–	–	5,525	5,525
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Geographical information

The Group's revenue from external customers by location of operations is derived solely in Hong Kong (place of domicile). Non-current assets of the Group by location of assets are all located in Hong Kong.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2016 HK\$'000	2015 HK\$'000
Customer A ¹	355,260	321,306
Customer B ²	112,410	N/A ³
Customer C ²	N/A ³	113,114
	<u> </u>	<u> </u>

¹ Revenue from building maintenance and renovation services.

² Revenue from renovation services.

³ The corresponding revenue did not contributed over 10% of the total revenue of the Group.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

7. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Bank interest income	267	230
Others (Note)	55	102
	<u>322</u>	<u>332</u>

Note: During the year ended 30 June 2016, other income of approximately HK\$35,000 (2015: nil) represented the net income from the sales of electronic products of approximately HK\$18,035,000 net of cost of good sold of approximately HK\$18,000,000.

8. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on:		
– Bank borrowings	340	376
– Obligations under finance leases	69	38
	<u>409</u>	<u>414</u>

9. INCOME TAX EXPENSE

	2016 HK\$'000	2015 HK\$'000
Hong Kong Profit Tax:		
Current tax	3,903	5,458
Under-provision in prior years	1,498	–
	<u>5,401</u>	<u>5,458</u>
Deferred taxation (Note 25)	90	67
	<u>5,491</u>	<u>5,525</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

9. INCOME TAX EXPENSE (Continued)

The income tax expense can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 HK\$'000	2015 HK\$'000
Profit before taxation	<u>17,146</u>	<u>16,487</u>
Tax calculated at the domestic income tax rate of 16.5%	2,829	2,720
Tax effect of income not taxable for tax purposes	(44)	(38)
Tax effect of expenses not deductible for tax purposes	1,228	2,863
Under-provision in prior years	1,498	–
Effect of tax exemption granted (Note)	(20)	(20)
Income tax expense for the year	<u>5,491</u>	<u>5,525</u>

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for the years of assessment 2016/2017 and 2015/2016 by 75%, subject to a ceiling of HK\$20,000.

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2016 HK\$'000	2015 HK\$'000
Staff costs (including Directors' emoluments)		
– Directors' emoluments (Note 11)	6,059	3,052
– Salaries, allowances and other benefits	34,834	31,015
– Long service payment obligations	108	–
– Contributions to retirement benefits scheme	1,189	1,064
Total staff costs	<u>42,190</u>	<u>35,131</u>
Auditor's remuneration	936	900
Depreciation of property, plant and equipment		
– owned assets	571	336
– assets held under finance leases	546	382
Written off on other receivables	–	300
Loss on disposal of property, plant and equipment	216	53
Minimum lease payments paid under operating lease	1,906	1,303
Listing expenses (included in administrative expenses)	–	12,121
	<u> </u>	<u> </u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the twelve (2015: eight) directors, ex-directors and Chief Executive Officer ("CEO") were as follows:

For the year ended 30 June 2016

Name of Director	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries' undertaking				
<i>Executive directors</i>				
Lai Aizhong (Chairman) (Note i)	-	315	6	321
Liu Winson Wing Sun (Note ii)	50	1,197	18	1,265
Kan Yiu Keung (CEO) (Note iii)	50	1,197	18	1,265
Chan Lo Kin (Note iv)	50	1,189	18	1,257
Ge Jin (Note v)	-	498	16	514
<i>Non-executive directors</i>				
Liu Su Ke (Note vi)	50	789	-	839
Kan Yiu Kwok (Note iv)	50	126	-	176
<i>Independent non-executive directors</i>				
Tong Sze Wan (Note vii)	126	-	-	126
Lam Yiu Por (Note viii)	105	-	-	105
Kwong Ping Man (Note viii)	105	-	-	105
Guo Biao (Note ix)	43	-	-	43
Song Dan (Note ix)	43	-	-	43
	672	5,311	76	6,059

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 30 June 2015

Name of Director	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries' undertaking				
<i>Executive directors</i>				
Liu Winson Wing Sun (Chairman) (Note ii)	10	742	19	771
Kan Yiu Keung (CEO) (Note iii)	10	754	19	783
Chan Lo Kin (Note iv)	10	697	17	724
<i>Non-executive directors</i>				
Liu Su Ke (Note vi)	10	530	–	540
Kan Yiu Kwok (Note iv)	10	56	–	66
<i>Independent non-executive directors</i>				
Tong Sze Wan (Note vii)	56	–	–	56
Lam Yiu Por (Note viii)	56	–	–	56
Kwong Ping Man (Note viii)	56	–	–	56
	218	2,779	55	3,052
	218	2,779	55	3,052

Notes:

- (i) Appointed as executive director and Chairman on 3 March 2016.
- (ii) Appointed as director on 17 September 2014, redesignated as executive director on 6 October 2014. He stepped down his position as chairman of the Board and remain as executive director on 3 March 2016.
- (iii) Appointed as executive director and CEO on 6 October 2014.
- (iv) Appointed on 6 October 2014.
- (v) Appointed as executive director on 30 September 2015 and resigned on 6 June 2016.
- (vi) Appointed as non-executive director on 6 October 2014 and resigned on 3 March 2016.
- (vii) Appointed as independent non-executive director on 17 December 2014.
- (viii) Appointed as independent non-executive director on 17 December 2014 and resigned on 3 March 2016.
- (ix) Appointed as independent non-executive director on 3 March 2016.
- (x) The directors' and chief executive's emoluments for the year ended 30 June 2015 and up to the date immediately preceding 14 January 2015 represented the amount payable to Sing Fat Construction's directors.

Neither the CEO nor any of the directors waived any emoluments in the years ended 30 June 2016 and 2015.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

12. INDIVIDUAL WITH HIGHEST EMOLUMENTS

During the year ended 30 June 2016, of the five individuals with the highest emoluments in the Group, four (2015: three) were directors, ex-director and CEO whose emoluments are included in the disclosures in Note 11. During the year ended 30 June 2016, the emoluments of the remaining one (2015: two) individual was as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and other benefits	1,247	1,886
Contributions to retirement benefits scheme	–	18
	<hr/> 1,247 <hr/>	<hr/> 1,904 <hr/>

Their emoluments were within the following bands:

	2016 No. of employees	2015 No. of employees
Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	1	1
	<hr/> 1 <hr/>	<hr/> 1 <hr/>

During the year ended 30 June 2016 and 2015, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) or other directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

13. DIVIDENDS

During the year ended 30 June 2016, no interim dividend (2015: HK\$86,613,000) was declared by the Company.

The Board does not recommend the payment of a final dividend for the year ended 30 June 2016 (2015: nil).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

14. EARNINGS PER SHARE

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

	2016 HK\$'000	2015 HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share	<u>11,581</u>	<u>10,839</u>
	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,118,800</u>	<u>1,043,319</u>

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares during the years ended 30 June 2016 and 2015.

The weighted average number of ordinary share in issue during the year ended 30 June 2015 represented 978,950,000 ordinary shares (Notes 26(a) and (c)) issued as part of common control combination as if such shares were issued on 1 July 2014, and the weighted average of 139,850,000 ordinary shares (Note 26(d)) issued under share offer during the year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

15. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment HK\$'000	Furniture, fixture and office equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvement HK\$'000	Total HK\$'000
COST					
At 1 July 2014	371	1,278	5,086	–	6,735
Additions	–	–	1,108	–	1,108
Disposals	–	–	(570)	–	(570)
	<u>371</u>	<u>1,278</u>	<u>5,624</u>	<u>–</u>	<u>7,273</u>
At 30 June and 1 July 2015	371	1,278	5,624	–	7,273
Additions	47	374	3,759	150	4,330
Disposals	–	–	(2,973)	–	(2,973)
	<u>418</u>	<u>1,652</u>	<u>6,410</u>	<u>150</u>	<u>8,630</u>
At 30 June 2016	418	1,652	6,410	150	8,630
ACCUMULATED DEPRECIATION					
At 1 July 2014	359	1,143	2,049	–	3,551
Charge for the year	2	20	696	–	718
Eliminated on disposals	–	–	(327)	–	(327)
	<u>361</u>	<u>1,163</u>	<u>2,418</u>	<u>–</u>	<u>3,942</u>
At 30 June and 1 July 2015	361	1,163	2,418	–	3,942
Charge for the year	11	41	1,056	9	1,117
Eliminated on disposals	–	–	(1,529)	–	(1,529)
	<u>372</u>	<u>1,204</u>	<u>1,945</u>	<u>9</u>	<u>3,530</u>
At 30 June 2016	372	1,204	1,945	9	3,530
CARRYING VALUES					
At 30 June 2016	<u>46</u>	<u>448</u>	<u>4,465</u>	<u>141</u>	<u>5,100</u>
At 30 June 2015	<u>10</u>	<u>115</u>	<u>3,206</u>	<u>–</u>	<u>3,331</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Except for leasehold improvement, the above items of property, plant and equipment are depreciated on diminishing balance method over their estimated depreciation rates as below:

Machinery and equipment	25% in the year of purchase and 15% per annum in subsequent years
Furniture, fixture and office equipment	25% in the year of purchase and 15% per annum in subsequent years
Motor vehicles	25% in the year of purchase and 15% per annum in subsequent years
Leasehold improvement	Over the term of lease

As at 30 June 2016, the carrying value of motor vehicle includes an amount of HK\$2,763,000 (2015: HK\$1,426,000) in respect of assets held under finance leases.

16. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
Unlisted equity investment in Hong Kong, at cost	<u>1,974</u>	<u>1,974</u>

The Group held 4.02% (2015: 4.02%) equity interest in an unlisted company in Hong Kong. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimate is so significant that the management of the Group is of the opinion that its fair value cannot be reliably measured.

17. HELD-FOR-TRADING INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
Equity securities, listed in Hong Kong	<u>3,881</u>	<u>–</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

18. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2016 HK\$'000	2015 HK\$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	68,095	68,095
Less: progress billings	(68,095)	(68,095)
	<hr/>	<hr/>
Amounts due from customers for contract work	–	–
	<hr/> <hr/>	<hr/> <hr/>

19. RENTAL DEPOSIT AND TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables at the end of the reporting period:

	2016 HK\$'000	2015 HK\$'000
Trade receivables	188,339	180,768
Retention money receivables (Note)	14,829	12,486
Advances to subcontractors	7,935	5,101
Prepaid expenses	2,713	787
Deposits and other receivables	5,177	706
	<hr/>	<hr/>
Carrying amount as at year ended	218,993	199,848
	<hr/>	<hr/>
Less: Rental deposit shown under non-current assets	(780)	–
	<hr/>	<hr/>
	218,213	199,848
	<hr/> <hr/>	<hr/> <hr/>

Note: At 30 June 2016, retention receivables of approximately HK\$7,096,000 (2015: HK\$1,132,000) was expected to be recovered in more than twelve months from the end of the reporting period but within its normal operating cycle.

The Group does not hold any collateral over the above balances.

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an ageing analysis of trade receivables, presented based on the certified report which approximates revenue recognition date at the end of the reporting period, and net of impairment loss recognised:

	2016 HK\$'000	2015 HK\$'000
Within 90 days	116,700	71,113
91 to 180 days	17,190	32,997
181 to 365 days	9,331	26,462
1 to 2 years	34,684	47,052
Over 2 years	10,434	3,144
	<hr/>	<hr/>
	188,339	180,768
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

19. TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables that were neither past due nor impaired relate to customers that have no recent history of default payment.

As at 30 June 2016, included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately HK\$4,468,000 (2015: HK\$6,808,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss.

Ageing of trade receivables which are past due but not impaired:

	2016 HK\$'000	2015 HK\$'000
Within 90 days	–	531
91 to 180 days	–	–
181 to 365 days	–	555
Over 1 year	4,468	5,722
	<hr/>	<hr/>
	4,468	6,808
	<hr/> <hr/>	<hr/> <hr/>

The Directors consider that there has not been a significant change in credit quality of the relevant customers and there is no recent history of default, therefore the amounts are considered to be recoverable.

The Group has individually assessed other receivables and provided in full for all receivables that are considered not recoverable. During the year ended 30 June 2016, no written off (2015: HK\$300,000) in respect of other receivable has been recognised.

20. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

As at 30 June 2015, pledged bank deposits represented deposits pledged to bank to secure banking facilities granted to the Group and were therefore classified as current assets. Pledged bank deposits carried fixed interest rate at 0.73% per annum.

Bank balances and cash

Bank balances carry interest at market rates which range from 0.01% to 0.75% (2015: 0.01% to 0.75%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

21. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables at the end of the reporting period:

	2016	2015
	HK\$'000	HK\$'000
Trade payables	91,007	112,818
Retention money payables (Note a)	8,488	11,613
Receipt in advance	71	571
Accrued expenses and other payables (Note b and c)	4,469	3,829
Dividend payable to non-controlling interests	779	779
	<hr/>	<hr/>
Carry amount as at year ended	104,814	129,610
Less: Deferred income shown under non-current liabilities (Note c)	(125)	–
	<hr/>	<hr/>
Current portion	104,689	129,610
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) As at 30 June 2016, retention payables of approximately HK\$1,611,000 (2015: HK\$985,000) was expected to be paid or settled after more than twelve months from the end of the reporting period.
- (b) As at 30 June 2016, included in accrued expenses and other payables was amount of approximately HK\$331,000 (2015: HK\$425,000) representing accrued Directors' emoluments.
- (c) During the year ended 30 June 2016, the Group has taken up a lease of an office premise from an independent third party and the Group has received an amount of HK\$226,000 from that party as rent-free period compensation. As at 30 June 2016, approximately HK\$80,000 (2015: nil) was included in accrued expenses and other payables under current liabilities and approximately HK\$125,000 deferred income was shown under non-current liabilities (2015: nil). The amount is amortised over the remaining lease period.

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2016	2015
	HK\$'000	HK\$'000
Within 90 days	37,223	33,232
91 to 180 days	10,776	28,639
181 to 365 days	5,310	21,711
1 to 2 years	31,499	25,361
Over 2 years	6,199	3,875
	<hr/>	<hr/>
	91,007	112,818
	<hr/> <hr/>	<hr/> <hr/>

Trade payables represented payables to subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within seven days after the Group received settlement of corresponding trade receivables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

22. BANK BORROWINGS

	2016 HK\$'000	2015 HK\$'000
Unsecured and guaranteed	—	10,116
Carrying amount of bank borrowings repayable (based on scheduled repayment set out in the loan agreement)		
– Within one year	—	7,642
– After one year but within two years	—	2,474
	—	10,116
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	—	2,474
Carrying amount of bank borrowings that are repayable within one year based on scheduled repayment set out in the loan agreement	—	7,642
Amounts shown under current liabilities	—	10,116

As at 30 June 2015, bank borrowings bore floating interest rates from 2.60% to 2.75% per annum.

As at 30 June 2015, the bank borrowings and general banking facilities were secured and/or guaranteed by the corporate guarantee given by the Company and the Group's bank deposits as disclosed in Note 20. The general banking facilities were terminated and the corporate guarantee were released during the year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

23. OBLIGATIONS UNDER FINANCE LEASES

	2016 HK\$'000	2015 HK\$'000
Analysed for reporting purposes as:		
Current liabilities	1,408	817
Non-current liabilities	477	313
	<u>1,885</u>	<u>1,130</u>

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term ranged from 2 to 3 years (2015: 2 to 3 years) throughout the year ended 30 June 2016. During the year ended 30 June 2016, the effective interest rate ranged from 1.23% to 1.50% (2015: 1.23% to 1.50%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Analysed for reporting purposes as:				
Within one year	1,437	834	1,408	817
After one year but less than two years	481	255	477	251
After two years but less than five years	-	63	-	62
	<u>1,918</u>	1,152	<u>1,885</u>	1,130
Less: future finance charges	<u>(33)</u>	(22)	<u>N/A</u>	N/A
Present value of obligations under finance leases	<u>1,885</u>	<u>1,130</u>		
Less: amount due for settlement with 12 months (shown under current liabilities)			<u>(1,408)</u>	(817)
Amount due for settlement after 12 months			<u>477</u>	<u>313</u>

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

24. LONG SERVICE PAYMENT OBLIGATIONS

Movement in the long service payment obligations is as follows:

	2016 HK\$'000	2015 HK\$'000
At 1 July	218	218
Charged to profit or loss	108	–
	<hr/>	<hr/>
At 30 June	326	218
	<hr/> <hr/>	<hr/> <hr/>

The Group makes provision for probable future long service payments to employees in accordance with Hong Kong Employment Ordinance. Pursuant to Chapter 10 of the Hong Kong Employment Ordinance, the long service payment is to be offset with the accrued benefits derived from the Group's contributions made to MPF Scheme for the employees and subject to a cap of HK\$390,000 per employee. The provision represents the management's best estimate of the Group's liability at the end of the reporting period. As at 30 June 2016 and 2015, the amount is calculated based on the principal assumptions stated as below:

	2016 HK\$'000	2015 HK\$'000
Salary inflation rate	4.00%	7.00%
Discount rate	1.04%	1.79%
	<hr/> <hr/>	<hr/> <hr/>

25. DEFERRED TAX LIABILITIES

Deferred tax liabilities arising from accelerated tax depreciation recognised by the Group and movements thereof during the years ended 30 June 2016 and 2015 were as follows:

	HK\$'000
At 1 July 2014	258
Charged to profit or loss (Note 9)	67
	<hr/>
At 30 June and 1 July 2015	325
Charged to profit or loss (Note 9)	90
	<hr/>
At 30 June 2016	415
	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

26. SHARE CAPITAL

Movements of the authorised and issued share capital of the Company for the period from 17 September 2014 (date of the incorporation of the Company) to 30 June 2016 are as follows:

	Number of Ordinary shares	Nominal value of ordinary shares HK\$'000
Ordinary share of HK\$0.01 each		
Authorised:		
At 17 September 2014 (date of incorporation) (Note a)	38,000,000	380
Increase during the period (Note b)	1,962,000,000	19,620
	<u>2,000,000,000</u>	<u>20,000</u>
At 30 June 2015, 1 July 2015 and 30 June 2016	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Share issued upon incorporation (Note a)	1	–
Shares issued on Reorganisation (Note c)	978,949,999	9,790
Shares issued on initial public offering (Note d)	139,850,000	1,399
	<u>1,118,800,000</u>	<u>11,189</u>
At 30 June 2015, 1 July 2015 and 30 June 2016	<u>1,118,800,000</u>	<u>11,189</u>

Notes:

- (a) Upon incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. One share was allotted and issued nil paid to the subscriber on 17 September 2014, which was then transferred to Profound on the same date.
- (b) Pursuant to the written resolutions passed by the sole shareholder of the Company on 30 November 2014, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 ordinary shares of HK\$0.01 each.
- (c) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of ABO from Controlling Shareholders, on 1 December 2014, (i) the one nil paid share then held by Profound was credited as fully paid at par, and (ii) 978,949,999 shares, all credited as fully paid at par, were allotted and issued to Profound.
- (d) On 14 January 2015, 139,850,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$0.60 per share pursuant to the share offer of the Company.
- (e) All shares issued rank pari passu in all respects with all shares then in issue.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts (which includes bank borrowings, obligations under finance leases, net of pledged bank deposits and bank balances and cash) and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost of capital and risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and the issue or redemption of borrowings.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Held-for-trading investments	3,881	–
Available-for-sale financial assets	1,974	1,974
Loans and receivables (including pledged bank deposits and bank balances and cash)	<u>260,741</u>	<u>297,861</u>
Financial liabilities		
At amortised cost	<u>106,423</u>	<u>140,285</u>

Financial risk management objectives and policies

The Group's major financial assets and liabilities include available-for-sale investments, rental deposit, held-for-trading investment, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included credit risk, interest rate risk, other price risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of monitoring procedures 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 regularly at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

As at 30 June 2016, the Group has concentration of credit risk as 52% (2015: 47%) of the total trade receivables was due from the Group's largest customer while 84% (2015: 98%) of the total trade receivables was due from the Group's five largest customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Interest rate risk

As at 30 June 2016, the Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances and is also exposed to fair value interest rate risk in relation to obligation under finance leases. As at 30 June 2015, the Group was exposed to cash flow interest rate risk in relation to its variable-rate bank balances and bank borrowings and was also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits and obligations under finance leases.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

As at 30 June 2015, the Group's cash flow interest rate risk was mainly concentrated on the fluctuation of prime rate arising from the Group's HK\$ denominated borrowings. However, the Directors considered that the Group's exposure to interest rate risk was minimal as there was insignificant fluctuation on prime rate. As at 30 June 2016, the Group did not have any borrowings, the Group has no exposure to interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. As at 30 June 2015, 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Sensitivity analysis (Continued)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 30 June 2015 would decrease/increase by approximately HK\$42,000. This was mainly attributable to the Group's exposure to cash flow interest rate risk on its variable rate bank borrowings.

As at 30 June 2016, the Group did not have any borrowings, no sensitivity analysis performed.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in The Stock Exchange of Hong Kong Limited. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective listed investments classified as held-for-trading investments had been 10% higher/lower, the profit after tax for the year ended 30 June 2016 would increase/decrease by approximately HK\$324,000 (2015: nil) as a result of the changes in fair value of these listed investments.

In management's opinion, the sensitivity analysis is not representative of the other price risk for the investments in listed equity securities as the year end exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity table	On demand or within 1 year HK\$'000	1-5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
At 30 June 2016				
Trade and other payables	104,538	–	104,538	104,538
Obligation under finance leases	1,437	481	1,918	1,885
	<u>105,975</u>	<u>481</u>	<u>106,456</u>	<u>106,423</u>
At 30 June 2015				
Trade and other payables	129,039	–	129,039	129,039
Bank borrowings (Note a)	10,303	–	10,303	10,116
Obligation under finance leases	834	318	1,152	1,130
	<u>140,176</u>	<u>318</u>	<u>140,494</u>	<u>140,285</u>

As at year ended 30 June 2015, the amounts for guarantee issued to the banks in respect of the performance bonds disclosed in Note 33 were the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount was claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considered that it was more likely than not that no amount will be payable under the arrangement. However, this estimate was subject to change depending on the probability of the counterparty claiming under the guarantee which was a function of the likelihood that the financial receivables held by the counterparty which were guaranteed suffer credit losses.

Notes to the Consolidated Financial Statements

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28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Notes:

- (a) Bank borrowings with a repayment on demand clause were included in the 'on demand or within 1 year' time band in the above maturity analysis. As at 30 June 2015 the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately HK\$2,474,000. Taking into account the Group's financial position, the Directors did not believe that it is probable that the banks would exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank borrowings would be repaid after one year but within two years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows amounted to approximately HK\$2,490,000.
- (b) The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value measurement

Some of the Group's financial assets are measured at fair value at the end of each reporting period for recurring measurement. The following table give information about how the fair values are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value hierarchy	Valuation techniques and key inputs	Fair value as at	
			2016 HK'000	2015 HK'000
Held-for-trading investments	Level 1	Quoted bid prices in an active market	3,881,000	–

The Directors consider that the carrying amounts of current portion of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements not materially differ from their fair values due to their immediate or short-term maturities. The fair value of non-current portion of finance lease approximates its carrying amount, as it is carried at amortised cost using effective method. The Directors consider that the carrying amount of the non-current financial asset approximates its fair value as the impact of discounting is immaterial.

Notes to the Consolidated Financial Statements

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29. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to the written resolution passed on 18 December 2014 to attract and retain high quality staff, to provide additional incentive to eligible participants and to promote the success of the business of the Group.

Eligible participants of the share option scheme include employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group.

No share options are granted since the adoption of the share option scheme and there are no outstanding share options as at 30 June 2015 and 2016.

30. RETIREMENT BENEFITS PLANS

The Group operates MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees and subject to a cap of HK\$1,500 per employee.

During the years ended 30 June 2016 and 2015, the total expense recognised in the consolidated statement of profit or loss and other comprehensive income is approximately HK\$1,265,000 and HK\$1,119,000 respectively, which represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

31. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had outstanding commitments in respect of future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016	2015
	HK\$'000	HK\$'000
Within one year	3,761	900
In the second to fifth year inclusive	5,156	–
	8,917	900

Operating lease payments represents rentals payable by the Group for its office premises and a motor license. Leases are negotiated and rentals are fixed for a term ranging from 1 to 3 years (2015: 2 to 3 years).

Notes to the Consolidated Financial Statements

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32. COMMITMENTS

As at 30 June 2016, capital expenditure contracted for but yet incurred by the Group is as follows:

	2016 HK\$'000	2015 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contract for but not provided in the consolidated financial statements	<u>-</u>	<u>1,444</u>

33. CONTINGENT LIABILITIES

Contingent liabilities in respect of legal claims

One subsidiary of the Group is defendant in a number of claims, lawsuits and potential claims relating to employees' compensation cases and personal injuries claims. The Directors considered that the possibility of any outflow in settling the legal claims was remote as these claims were well covered by insurance and subcontractors' indemnity. Accordingly, no provision for the contingent liabilities in respect of the litigations is necessary, after due consideration of each case and with reference to the legal opinion.

Guarantee issued

At the end of the reporting period, the Group had provided guarantees to banks in respect of the following:

	2016 HK\$'000	2015 HK\$'000
Performance bonds in favor of its clients	<u>-</u>	<u>692</u>

As at 30 June 2015, approximately HK\$692,000 of performance bonds were given by banks in favour of some of the Group's customers as security for the due performance and observance of the Group's obligations under the service contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds was released upon completion of the contract work for the relevant customers during the year.

Notes to the Consolidated Financial Statements

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34. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in the consolidated financial statements, during the year, the Group entered into transactions with related parties as follows:

Related parties	Nature of transaction	2016 HK\$'000	2015 HK\$'000
Chung Tat Construction Co., Limited ("Chung Tat")	Purchase of motor-vehicle from a related party	40	–
	Subcontracting fee paid to a related party	1,707	–
Mega Billion Investment Limited ("Mega Billion")	Rental of office from a related party	900	900
Faithful Construction Company Limited	Subcontracting fee paid to a related party	196	–
General Top Holdings Limited	Rental of motor vehicle from a related party	–	93
		<u> </u>	<u> </u>

The above companies are companies of which certain Directors are their beneficial shareholders and/or directors.

The following balances were outstanding at the end of the reporting period:

	Amounts due from related parties	
	2016 HK\$'000	2015 HK\$'000
Chung Tat (included in trade and other receivables)	344	510
Mega Billion (included in trade and other receivables)	150	225
	<u> </u>	<u> </u>

- (b) The Group leased Office Premises from Mega Billion and the monthly rental was determined with reference to market value.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

34. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel

The remuneration of Directors and other members of key management personnel during the year were as follows:

	2016 HK\$'000	2015 HK\$'000
Short-term benefits	8,911	6,047
Post-employment benefits	112	91
	<u>9,023</u>	<u>6,138</u>

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

- (d) Under a deed of indemnity dated 18 December 2014, the Controlling Shareholders have undertaken to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by the Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature against any member of the Group in relation to any act, non-performance, omission or otherwise of any member of the Group on or before the date which the share offer of the Company becomes unconditional.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

35. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Investments in subsidiaries		9,790	9,790
Rental deposit		780	–
		<u>10,570</u>	<u>9,790</u>
Current assets			
Held-for-trading investments		3,881	–
Amounts due from subsidiaries	(a)	28,359	2,237
Bank balances and cash		24,088	60,572
		<u>56,328</u>	<u>62,809</u>
Current liability			
Accruals and other payables		583	515
		<u>55,745</u>	<u>62,294</u>
Net current assets			
		<u>66,315</u>	<u>72,084</u>
Total assets less current liability			
		<u>66,315</u>	<u>72,084</u>
Non-current liability			
Other payables		125	–
		<u>66,190</u>	<u>72,084</u>
Net assets			
		<u>66,190</u>	<u>72,084</u>
Capital and reserves			
Share capital		11,189	11,189
Reserves	(b)	55,001	60,895
		<u>66,190</u>	<u>72,084</u>
Total equity		<u>66,190</u>	<u>72,084</u>

Notes:

(a) Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

(b) Movement in reserves

	Share Premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Profit and total comprehensive income for the period	–	69,718	69,718
Dividend recognised as distribution (Note 13)	–	(86,613)	(86,613)
Issue of new shares (Note 26)	82,511	–	82,511
Share issue expenses	(4,721)	–	(4,721)
	<u>77,790</u>	<u>(16,895)</u>	<u>60,895</u>
At 30 June 2015 and 1 July 2015			
	77,790	(16,895)	60,895
Loss and total comprehensive expense for the year	–	(5,894)	(5,894)
	<u>77,790</u>	<u>(22,789)</u>	<u>55,001</u>
At 30 June 2016			
	<u>77,790</u>	<u>(22,789)</u>	<u>55,001</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 30 June 2016 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activities
				2016	2015	
Directly held						
ABO	BVI	Ordinary	United States Dollar ("USD") \$89,600	100%	100%	Investment holding
Sino Kaiser Limited (Note a)	BVI	Ordinary	USD \$1	100%	-	Investment holding
Sino Baron Group Limited (Note a)	BVI	Ordinary	USD \$1	100%	-	Investment holding
Indirectly held						
Sing Fat Construction	Hong Kong	Ordinary	HK\$10,200,000	99.61%	99.61%	Provision of building maintenance and renovation services
Synergy Rise Investment Limited (Note a)	Hong Kong	Ordinary	HK\$1,000	100%	-	Inactive
Richwise Power Investment Limited (Note a)	Hong Kong	Ordinary	HK\$1	100%	-	Inactive
Star Richly Inc. Limited (Note a)	Hong Kong	Ordinary	HK\$1	100%	-	Inactive
Chong Hui Enterprises Limited (Note a)	BVI	Ordinary	USD \$1	100%	-	Inactive
Shing Mining Development Company Limited (Note a)	Hong Kong	Ordinary	HK\$1	100%	-	Inactive

Notes:

- (a) The company was incorporated during the year ended 30 June 2016.
 (b) None of the subsidiaries had issued any debt securities at the end of the year.

37. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 30 June 2016 and 2015, the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value at the inception of the leases of approximately HK\$2,622,000 (2015: HK\$1,061,000).

Group Financial Summary

	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	488,065	503,195	600,392	601,426
Cost of services	(443,118)	(450,790)	(544,629)	(555,507)
Gross profit	44,947	52,405	55,763	45,919
Other income	322	332	14,194	24
Loss of fair value change on held-for-trading investments	(1,135)	–	–	–
Operating expenses	(26,988)	(36,250)	(16,718)	(17,964)
Profit before taxation	17,146	16,487	53,239	27,979
Income tax expense	(5,491)	(5,525)	(7,060)	(4,643)
Profit and total comprehensive income for the year	11,655	10,962	46,179	23,336
Earnings per share (HK cents)				
Basic and diluted	1.0	1.0	4.7	N/A
Assets and liabilities				
Non-current assets	7,854	5,527	5,158	15,404
Current assets	274,490	303,749	331,389	387,793
Current liabilities	(110,281)	(149,355)	(179,662)	(209,853)
Total assets less current liabilities	172,063	159,921	156,885	193,344
Non-current liabilities	(1,343)	(856)	(971)	(1,259)
Net assets	170,720	159,065	155,914	192,085
Capital and reserves				
Share capital	11,189	11,189	9,310	9,310
Reserves	159,040	147,459	145,923	181,931
Non-controlling interests	491	417	681	844
Total equity	170,720	159,065	155,914	192,085