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# Corporate Information

## Registered Office

PO Box 309  
Ugland House  
Grand Cayman  
Cayman Islands, KY1-1104

## Head Office and Principal Place of Business

2/F, Centre 600  
82 King Lam Street  
Lai Chi Kok  
Kowloon, Hong Kong

## Executive Directors

Mr. Lam Kin Wing Eddie (*Chairman*)  
(appointed on 28 May 2015)  
Mr. Shut Yu Hang (appointed on 30 June 2015)  
Mr. Chung Koon Man (appointed on 14 April 2016)

## Independent Non-executive Directors

Mr. Tang Chi Wang (appointed on 22 September 2015)  
Mr. Wong Kwong On (appointed on 22 September 2015)  
Mr. Tse Ting Kwan (appointed on 22 September 2015)

## Company Secretaries

Mr. Fung Nam Shan (appointed on 13 November 2015)  
Ms. Ngan Chui Wan Judy (resigned on 4 December 2015)

## Compliance Officer

Mr. Shut Yu Hang

## Compliance Adviser

Anglo Chinese Corporate Finance Limited

## Authorised Representatives

Mr. Lam Kin Wing Eddie  
Mr. Shut Yu Hang

## Audit Committee

Mr. Tse Ting Kwan (*Chairman*)  
Mr. Tang Chi Wang  
Mr. Wong Kwong On

## Remuneration Committee

Mr. Wong Kwong On (*Chairman*)  
Mr. Tse Ting Kwan  
Mr. Lam Kin Wing Eddie  
Mr. Chung Koon Man

## Nomination Committee

Mr. Tang Chi Wang (*Chairman*)  
Mr. Shut Yu Hang  
Mr. Tse Ting Kwan  
Mr. Chung Koon Man

## Legal Advisers as to Hong Kong Law

P.C. Woo & Co.

## Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited  
PO Box 1093, Boundary Hall  
Cricket Square, Grand Cayman  
KY1-1102  
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

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

## Principal Banker

Dah Sing Bank, Limited  
35/F, Dah Sing Financial Centre  
108 Gloucester Road  
Hong Kong

## Independent Auditor

Deloitte Touche Tohmatsu

## Company Website

[www.thelloy.com](http://www.thelloy.com)

## Stock Code

8122

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Thelloy Development Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I am delighted to present the first annual report of the Group to you since the listing (the "Listing") of the shares of the Company on GEM of the Stock Exchange on 9 October 2015 (the "Listing Date").

## A Note of Appreciation

On behalf of the Board, I wish to take this opportunity to express my gratitude to our shareholders, business partners and suppliers who trust and remain faithful to the Group. I would also like to express our sincere thanks to the management and staff for their diligence, commitment and contribution throughout the years.

## Review

For the year ended 31 March 2016 (the "Year"), the Group's revenue decreased from approximately HK\$207.0 million to approximately HK\$160.7 million for the year ended 31 March 2015. Such decrease was mainly attributable to the completion of certain substantial building construction projects in 2014. However, with the effort put on our implementation of the cost control measures, the Group's gross profit increased from approximately HK\$30.1 million for the year ended 31 March 2015 to approximately HK\$31.6 million for the Year.

Although the Group's profit attributable to shareholders decreased from approximately HK\$17.8 million for the year ended 31 March 2015 to approximately HK\$2.9 million for the Year, the decrease in profit attributable to shareholders was mainly due to the one-off listing expenses of approximately HK\$11.8 million (2015: Nil) incurred during the Year. Excluding this non-recurring expenses, the Group's profit would have been approximately HK\$14.7 million (2015: approximately HK\$17.8 million).

## Forward

Looking ahead, the Group is positive about the prospects of the construction market and will continue to focus on our core business. In order to maximise the long term returns to our shareholders, the Group will devote more resources towards the development of our contracting business.

**Thelloy Development Group Limited**  
**Lam Kin Wing Eddie**  
*Chairman*

Hong Kong, 17 June 2016

# Management Discussion and Analysis

## Business Review and Outlook

The Group is an established main contractor in Hong Kong principally engaged in property construction services and focusing on providing (i) building construction services; and (ii) repair, maintenance, alternation and addition (“RMAA”) works services. The Group is responsible for the overall management and implementation of its projects. As a main contractor, the Group primarily focuses on project management, engineering design and technical submission, devising detailed work programmes, procurement of major construction materials, coordination with the customers or their consultants and the quality control of the works carried by the sub-contractors.

As a main contractor, the Group normally secures its projects through a tendering process. The Group usually identifies Government projects through reviewing the tender invitations from various Government departments published on the Gazette. As for projects from non-Government customers, the Group is generally invited by the customers by way of invitation letters to submit a tender for a potential project. Nevertheless, the Directors believe that, in the future, it is possible that the Group may be invited by customers to simply provide quotations without going through tendering process for projects which are less complex in terms of the sub-contractors involved and the time, scale and resources required, such as RMAA projects.

The Group holds various construction related licenses and qualifications that enable it to bid for and carry out Government and quasi-Government contracts. The Group is listed on the Contractor List and the Specialist List maintained by the Works Branch Development Bureau of the Government (“WBDB”). The Contractor List and the Specialist List are lists of contractors approved by the WBDB who are eligible to tender for Government contracts. The Group is listed as a Group C (confirmed) contractor under the Contractor List maintained by the WBDB in the “Building” category. Group C (confirmed) contractors are the highest ranking contractors in the Contractor List in terms of tender limit, and are eligible to tender for public works contracts of any values exceeding HK\$185.0 million.

The Company’s shares (the “Shares”) were listed on the GEM of the Stock Exchange on the Listing Date by way of placing (“Placing”). 200,000,000 placing Shares (comprising 170,000,000 new Shares offered by the Company and 30,000,000 sale Shares offered by the selling shareholder) were placed at HK\$0.325 per Share pursuant to the Placing. The net proceeds from the Placing were approximately HK\$39.1 million after deduction of listing-related expenses.

The Directors consider that with the support of the Government’s housing policies in the recent years and the Government’s policies to stimulate urban renewal plans and to revitalize old industrial buildings, it will lead to a general increase in the demand for the Group’s services, resulting in more business opportunities being presented to and secured by the Group in the near future. Up to date of this report, the Group has been awarded 15 contracts with contract sum of approximately HK\$736 million, and during the Year, the Group has recognised revenue of approximately HK\$137 million from the major projects which have commenced but not completed as at 31 March 2016.

# Management Discussion and Analysis (Continued)

Looking forward, the Group will continue to pursue the following key business strategies in order to deliver the business objectives: (i) further developing its building construction and RMAA business by making use of additional financial resources available from the Placing to undertake more projects, as the aggregate number and size of projects that the Group are able to undertake in the business hinges on the amount of its available working capital in view of the time lags that often exist between making payments to the subcontractors and receiving payments from the customers and the possible requirements for surety bonds; (ii) further strengthening its in-house team of engineering staff by recruiting additional qualified and experienced engineers/project managers and site agents in order to cope with its business development and by providing more training opportunities to its engineering staff; and (iii) investing in the building information modeling (“BIM”) software.

## Financial Review

### Revenue

The Group’s revenue decreased from approximately HK\$207.0 million for the year ended 31 March 2015 to approximately HK\$160.7 million for the Year, representing a drop of approximately 22.4%. Such decrease was mainly due to the completion of certain substantial building construction projects in 2014.

### Direct Cost

The Group’s direct cost decreased from approximately HK\$177.0 million for the year ended 31 March 2015 to approximately HK\$129.1 million for the Year, representing a decrease of approximately 27.1%. Such decrease was mainly attributable to the completion of certain substantial construction projects in 2014.

### Gross Profit

The Group’s gross profit amounted to approximately HK\$31.6 million and HK\$30.1 million for the year ended 31 March 2016 and 2015 respectively, representing an increase of approximately 5.0%. Such increase was mainly attributable to the effective cost control measures adopted on final account settlement for a substantial project completed during the Year.

### Other Income

The Group’s other income amounted to approximately HK\$316,000 and HK\$212,000 for the year ended 31 March 2016 and 2015 respectively, representing an increase of approximately 49.1%, which was mainly due to the increase in bank interest income earned from the bank deposits during the Year.

### Listing Expenses

During the Year, the Group recognised non-recurring listing expenses of approximately HK\$11.8 million (2015: Nil) as expenses in connection with the Listing.

### Administrative Expenses

The Group’s administrative expenses amounted to approximately HK\$14.1 million and HK\$8.9 million for the years ended 31 March 2016 and 2015 respectively, representing an increase of approximately 58.4%. Such increase was primarily due to the increase in rental expenses, staff costs and professional fees due to business expansion during the Year.

# Management Discussion and Analysis (Continued)

## Finance Costs

For the years ended 31 March 2016 and 2015, the Group's finance costs amounted to approximately HK\$38,000 and HK\$203,000 respectively, representing a decrease of approximately 81.3%. Such decrease was mainly due to the full repayment of bank borrowing in January 2015.

## Income Tax Expenses

For the years ended 31 March 2016 and 2015, the Group's income tax expense amounted to approximately HK\$3.2 million and HK\$3.5 million respectively, representing a decrease of approximately 8.6%. The decrease was mainly due to the decrease in assessable profit, excluding the effect of tax non-deductible expenses, e.g. the listing expenses.

## Profit and Total Comprehensive Income for the Year Attributable to Owners of the Company

The profit and total comprehensive income attributable to owners of the Company decreased from approximately HK\$17.8 million for the year ended 31 March 2015 to approximately HK\$2.9 million for the Year, representing a decrease of approximately HK\$14.9 million. Excluding the listing expenses of approximately HK\$11.8 million, the profit for the Year of the Group would have been approximately HK\$14.7 million and the decrease of profit would be approximately 17.4% compared to the corresponding year ended 31 March 2015.

## Final Dividend

The Board did not recommend a payment of a final dividend for the Year (2015: Nil).

## Special and Interim Dividends

Techoy Construction Company Limited, the Group's subsidiary, declared and settled special dividends of HK\$33.5 million and HK\$1.5 million in April and July 2015 respectively to Mr. Lam (2015: Nil).

During the year ended 31 March 2016, Techoy Construction declared and paid interim dividends of HK\$nil (2015: HK\$9 million) to Mr. Lam.

## Liquidity and Financial Resources

The Group maintained a sound financial position during the Year. As at 31 March 2016, the Group had a bank balances and cash of approximately HK\$29.6 million (31 March 2015: approximately HK\$55.6 million). The total interest-bearing borrowings, including obligations under finance leases only, of the Group as at 31 March 2016 was approximately HK\$0.4 million (31 March 2015: approximately HK\$1.0 million), and the current ratio as at 31 March 2016 was approximately 2.2 (31 March 2015: approximately 1.8).

## Gearing Ratio

The gearing ratio of the Group as at 31 March 2016 was approximately 0.5% (31 March 2015: approximately 1.7%), which remained low as the Group was not in need of any material debt financing during the Year. The gearing ratio is calculated as total borrowings divided by total equity as at the respective periods.

# Management Discussion and Analysis (Continued)

## Treasury Policy

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

## Pledge of Assets

As at 31 March 2016, the Group had pledged bank deposits of approximately HK\$28.1 million (31 March 2015: approximately HK\$3.0 million) to secure the banking facilities granted to the Group. Save for the above, the Group did not have any charges on its assets.

## Capital Structure

The Shares of the Company were listed on the GEM on 9 October 2015. There has been no change in capital structure of the Company since 9 October 2015. The capital of the Company comprises ordinary shares and other reserves.

## Capital Commitment

As at 31 March 2016, the Group did not have any capital commitment.

## Human Resources Management

As at 31 March 2016, the Group had a total of 57 employees. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

## Foreign Currency 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 dollars. During the Year, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Year.

## Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any significant investments, material acquisitions, and disposals of subsidiaries and affiliated companies during the Year.

## Contingent Liabilities

As at 31 March 2016, the Group had no material contingent liabilities.

# Management Discussion and Analysis (Continued)

## Comparison of Business Strategies with Actual Business Progress

| Business strategies up to 31 March 2016 as stated in the Prospectus    | Implementation plan  | Actual business progress up to 31 March 2016   |
|--|--|--|
| Further developing the Group's building construction and RMAA business | To undertake more building construction and RMAA projects, in particular public housing construction, maintenance and renovation projects and heritage revitalisation projects in Hong Kong, with HK\$14.2 million reserved for satisfying potential customers' requirement for surety bonds | The Group has used HK\$14.2 million to further develop the Group's business by undertaking more projects   |
| Further strengthening the Group's manpower                             | To employ additional staff<br>To sponsor the Group's staff to attend technical seminars and/or occupational health and safety courses organised by third parties   | The Group has used HK\$0.4 million to recruit more experienced and high calibre staff and sponsored its staff to attend technical seminars and occupational health and safety courses organized by third parties during the Year |
| Investing in BIM software and provide required staff training          | To purchasing the BIM software from third-party providers<br>To arrange for training workshops or courses for the Group's staff members in relation to the BIM software organised by third party   | The Group is sourcing the BIM software from third-party providers  |
| Developing "design and build" services                                 | Study the feasibility of setting up the "Design and Build" section<br>Form the new "Design and Build" team from existing staff and recruit new staff (such as designers) where necessary   | The Group is in the progress of setting up the "Design and Build" section and has used HK\$0.3 million in this regard  |
| General working capital  | To increase working capital in order to secure Government Contracts  | The Group has used HK\$4.3 million for the general working capital requirements  |



# Management Discussion and Analysis (Continued)

## Use of Proceeds

The following table set forth the status of the use of proceeds from the placing subsequent to the listing of the Group and up to 31 March 2016:

|  | <b>Planned use of<br/>proceeds as<br/>stated in the<br/>Prospectus up to<br/>31 March 2016</b> | <b>Actual use of<br/>proceeds up to<br/>31 March 2016</b> |
|--|--|---|
|  | HK\$ million   | HK\$ million  |
| Further developing the Group's building construction and RMAA business | HK\$14.2   | HK\$14.2  |
| Further strengthening the Group's manpower                             | HK\$0.4  | HK\$0.4   |
| Investing in BIM software and provide required staff training          | HK\$1.5  | —   |
| Developing "design and build" services                                 | HK\$1.5  | HK\$0.3   |
| General working capital  | HK\$4.3  | HK\$4.3   |

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

## Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was conditionally approved by the Company pursuant to the written resolutions of the then sole shareholder of the Company dated 22 September 2015. The terms of the Share Option Scheme are in accordance with Chapter 23 of the GEM Listing Rules. The following is a summary of the principal terms of the Share option Scheme.

### (1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants or advisers of the Group and to promote the success of the Group.

### (2) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant an employee (full-time or part-time), a Director, consultant and adviser of the Group, or any substantial shareholder of the Group, options to subscribe at a price calculated in accordance with paragraph (3) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

# Management Discussion and Analysis (Continued)

## (3) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

## (4) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.00.

## (5) Maximum number of Shares

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group) must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date. The Company may refresh this limit at any time, subject to the shareholders' approval and the issue of a circular and in accordance with the GEM Listing Rules provided that the total number of Shares which may be allotted and issued upon exercise of all outstanding options to be granted under the Share Option Scheme and any other share option schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for such purpose, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of the Group) previously granted under the Share Option Scheme and any other share option schemes of the Group will not be counted. The above is subject to the condition that the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group shall not exceed 30% of the Share Capital of the Company in issue from time to time.

## (6) Maximum entitlement of each Eligible Person

The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, the Company must send a circular to the shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the shareholders of the Company and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

## Management Discussion and Analysis (Continued)

### **(7) Time of exercise of option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

### **(8) Period of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

# Biographies of Directors, Senior Management and Company Secretary

## Executive Directors

**Mr. Lam Kin Wing Eddie** (“Mr. Lam”), aged 57, is an executive Director and the Chairman. Mr. Lam is also the Controlling Shareholder. He joined our Group as a director in March 1995 and is responsible for overall business strategy and major business decisions of our Group. He is currently the president of the Hong Kong Institute of Construction Managers and the chairman of the Building and Civil Engineering Training Board of Vocational Training Council.

Mr. Lam has over 39 years of experience in the building construction industry of Hong Kong and possesses extensive experience in planning, operating and managing construction projects of various sizes and nature. Prior to joining our Group, Mr. Lam worked in Hsin Chong Construction Co., Ltd as a construction technician from September 1977 to September 1981 and was later redesignated as a quantity surveyor from September 1981 to March 1985. From March 1985 to July 1986, he worked as an estimator for Gammon Building Construction Limited. From July 1986 to April 1989, he worked as a contracts quantity surveyor for Shiu On Building Contractors Ltd., and was later promoted and worked as a senior project quantity surveyor from April 1989 to April 1993.

Mr. Lam qualified as a chartered builder and a registered professional surveyor (quantity surveying) in Hong Kong in March 1985 and in January 2004. He was admitted as a member of the Hong Kong Institute of Construction Managers in May 1997 and became its fellow in December 2006, a member of the Chartered Institute of Building in March 1985 and became its fellow in September 2010. Mr. Lam was also admitted as a member of the following institutions:

- (i) The Royal Institution of Chartered Surveyors (admitted in September 2002); and
- (ii) The Hong Kong Institute of Surveyors (admitted in August 2003).

**Mr. Shut Yu Hang**, aged 51, is an executive Director. He joined the Group as a construction manager in August 1998 and was promoted as a general manager in January 2008 and is responsible for general management and day-to-day operation of the Group.

Mr. Shut has over 29 years of experience in the building construction industry of Hong Kong. Mr. Shut was admitted as a graduate member of The Institution of Structural Engineers in November 1994, and a member of the Hong Kong Institute of Construction Managers in November 2014. Further, Mr. Shut was appointed as a committee member of the Contractors Registration Committee Panel and the Contractors Registration Committee by the Buildings Department in January 2011 for a term of two years, and was subsequently re-appointed in January 2015 for a term of two years.

**Mr. Chung Koon Man**, aged 57, was appointed as an executive Director on 14 April 2016. He graduated from the University of London in 1983 and is a member of The Hong Kong Institution of Engineer; fellow member of the Hong Kong Institute of Construction Managers and member of The Institution of Structural Engineers United Kingdom. Prior to joining the Company, Mr. Chung served for over 30 years in various construction corporations in Hong Kong and overseas. Mr. Chung was the deputy managing director and the technical director of China Resources Construction Company Limited (currently known as CR Construction Company Limited) from January 2008 to January 2014 as well as the deputy managing director of China Resources Property Limited from May 2011 to February 2016. In addition, Mr. Chung was appointed as the Director of Hong Kong Quality Assurance Agent from December 2015 to November 2017.

# Biographies of Directors, Senior Management and Company Secretary (Continued)

## Independent non-executive Directors

**Mr. Tang Chi Wang**, aged 38, was appointed as an independent non-executive Director of the Group on 22 September 2015. He is responsible for supervising and providing independent judgment to our Board. He is currently the Vice President of the Hong Kong Institute of Construction Managers, the Honorary Treasurer of Building Surveying Division of The Hong Kong Institute of Surveyors.

Mr. Tang has over 19 years of experience in the building construction industry in Hong Kong. Since April 2012, he has been working as the executive director of Advise Building Consultancy Limited and is responsible for overseeing the operation of the firm.

Mr. Tang is a fellow member of The Hong Kong Institute of Surveyors, Hong Kong Institute of Construction Managers, The Chartered Association of Building Engineers, The Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators. He is also a member of the Royal Institution of Surveyors and the Chartered Institute of Building, and a general mediator of mediator panels of Hong Kong Mediation Accreditation Association Limited, an accredited mediator of panel of mediators of Hong Kong Mediation Centre, a mediator of The Hong Kong Institute of Architect and The Hong Kong Institute of Surveyors joint panel of mediators and a mediator of list of mediators of Hong Kong Institute of Construction Managers.

Mr. Tang obtained a diploma in Building Studies from the Morrison Hill Technical Institute (now renamed the Hong Kong Institute of Vocational Education (Morrison Hill)) in August 1996, a Higher Diploma in Surveying from the City University of Hong Kong in November 1999, a Bachelor of Science (Honours) degree in Building Surveying from the University of Northumbria at Newcastle in June 2000, a postgraduate diploma in Arbitration from The College of Estate Management in January 2005, a Bachelor of Laws (Honours) from the University of London in August 2008 and a Master of Public Administration from the Hong Kong Baptist University in November 2011.

In addition, Mr. Tang has been serving the community and the construction industry by holding various positions in the following institutions and organizations:

| Position  | Institution/Organization                         | Service Period                 |
|---|--|--------------------------------|
| Adjudicator of Immigration Tribunal               | Security Bureau, HKSAR Government                | October 2013 to October 2017   |
| Member of Appeal Tribunal Panel (Buildings)       | Development Bureau, HKSAR Government             | December 2015 to December 2018 |
| Vice Chairman                                     | The Hong Kong Institute of Construction Managers | December 2012 to December 2016 |
| Honorary Treasurer of Building Surveying Division | Hong Kong Institute of Surveyors                 | December 2014 to December 2016 |
| Deputy President                                  | The Hong Kong Institute of Value Management      | December 2015 to December 2016 |

## Biographies of Directors, Senior Management and Company Secretary (Continued)

**Mr. Tse Ting Kwan**, aged 41, was appointed as an independent non-executive Director of the Group on 22 September 2015. He is responsible for supervising and providing independent judgment to our Board.

Mr. Tse has over 18 years of experience in auditing, finance and accounting. He is currently the financial controller of Chinese People Holdings Company Limited, a company whose shares are listed on the Main Board of the Stock Exchange (the "Main Board") (Stock Code: 681), and he is responsible for all accounting, finance and tax matters. In addition, since October 2012, Mr. Tse has been working as an independent non-executive director of JF Household Furnishings Limited, a company whose shares are listed on the Main Board (stock code: 776).

Mr. Tse obtained a bachelor degree of Business Administration from the Lingnan College (now renamed as the Lingnan University) in November 1997. He is currently a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

**Mr. Wong Kwong On**, aged 57, was appointed as an independent non-executive Director of the Group on 22 September 2015. He is responsible for supervising and providing independent judgement to our Board.

Mr. Wong has various experience in the building and civil construction industry of Hong Kong. From May 1990 to May 1995, Mr. Wong worked as a quantity surveyor for the following construction companies:

- (i) Shui On Construction Company Limited (from May 1990 to March 1991);
- (ii) Gitanes Engineering Company Limited (from March 1991 to November 1991); and
- (iii) Shui On Civil Contractors Limited (from November 1991 to February 1992 and from January 1993 to May 1995).

His responsibilities as a quantity surveyor included contract administration and provision of contractual advice to projects which he was involved in.

From January 2001 to May 2011, he became the director of Consultant Associates (H. K.) Limited, a construction claim consultant company. Since May 2011, Mr. Wong started practising as a solicitor of Chan & Associates and since June 2013, he has been working as the principal of the law firm Wong & Lawyers (formerly known as Chan & Associates) and is responsible for overseeing the operation of the firm.

Mr. Wong was admitted, a member of The Hong Kong Institute of Surveyors in March 1986, a member of the Chartered Institute of Building in August 1994, a fellow member of the Chartered Institute of Arbitrators in January 1995 and a solicitor of the High Court of Hong Kong in June 2000.

Mr. Wong obtained an Associateship in Building Technology and Management in November 1983 and a Diploma in Management Studies in November 1988 from The Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University), a Postgraduate Certificate in Hong Kong Law from the City Polytechnic of Hong Kong (now renamed the City University of Hong Kong) in November 1992, a Master of Arts in Arbitration and Dispute Resolution in November 1995 from City University of Hong Kong, a Bachelor of Laws from the University of Wolverhampton in October 1996 and a Postgraduate Certificate in Laws in June 1998 from the University of Hong Kong.

# Biographies of Directors, Senior Management and Company Secretary (Continued)

## Senior Management

**Mr. Tsang Tsan Sum**, aged 45, is currently a quantity surveying manager of the Group. He joined the Group in October 1996 as a site quantity surveyor and was promoted as a quantity surveyor manager in January 2008. Mr. Tsang has over 20 years of experience in quantity surveying of Hong Kong building construction. Mr. Tsang was admitted as a member of the Chartered Institute of Building in January 2003, an associate of The Australian Institute of Quantity Surveyors in August 2007 and a member of the Chartered Association of Building Engineers in January 2014.

**Ms. Choi Yuen Fong**, aged 46, is currently an administration and personnel manager of the Company. She joined the Group in March 1997.

**Ms. Chan Lap Yee**, aged 54, is currently an estimating manager of the Company. She joined the Group in May 1997 as an estimator and was later promoted as a senior estimator in January 2013. Ms. Chan was admitted as a member of the Association of Cost Engineers in August 1993.

**Ms. Chan Kwai Fong**, aged 44, is currently an accounting manager of the Company. She joined the Group in March 1998.

**Mr. Lo Ming Fai**, aged 45, is currently a project manager of the Company. He joined the Group on 3 January 2012. Mr. Lo has over 22 years of experience in the building construction industry of Hong Kong. Mr. Lo was admitted as a member of the Hong Kong Institute of Construction Managers in February 2014.

## Company Secretary

**Mr. Fung Nam Shan**, aged 39, appointed as a company secretary (the "Company Secretary") on 13 November 2015. Mr. Fung is currently an INED of Energy International Investments Holdings Limited (listed on the Main Board (stock code: 0353)), the company secretary and authorized representative of Seamless Green China (Holdings) Limited (listed on GEM (stock code: 8150)), the company secretary and authorized representative of Sky Forever Supply Chain Management Group Limited (listed on GEM (stock code: 8047)), a joint company secretary of Future Bright Mining Holdings Limited (listed on the Main Board (stock code: 2212)), a company secretary of Fitec International Group Limited (listed on the Main Board (stock code: 2662)) and the company secretary and authorized representative of Yat Sing Holdings Limited (listed on Main Board (stock code: 3708)). Mr. Fung served Zhejiang Chang'an Renheng Technology Co., Ltd. (listed on GEM (stock code: 8139)) as the financial controller and company secretary from April 2013 to March 2014. Mr. Fung was employed as the financial controller and company secretary of South China Land Limited (listed on GEM (stock code: 8155)) from February 2010 to April 2013. Mr. Fung served for a property development group as the financial controller from 2009 to 2010. He worked for PricewaterhouseCoopers as an audit manager during which he accumulated experience in auditing, accounting and taxation in Hong Kong and the People's Republic of China ("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.

He holds a bachelor's degree in accounting awarded by the University of Newcastle, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants and a CPA member of the Australian Institute of Certified Public Accountants.

# Corporate Governance Report

## Corporate Governance

The Company's corporate governance code are based on the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. The Company is committed to ensure a quality board and transparency and accountability to shareholders. The CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Lam serves as the chairman and also acts as chief executive of the Company, which constitutes a deviation from the code provision A.2.1.

The Board is of the view that vesting both roles in Mr. Lam will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

The Company complied with all code provisions in the CG Code in the Year, save for code provision A.2.1.

The Board has reserved for its decision and consideration issues in relation to (i) formulating the strategic objectives of the Group; (ii) considering and deciding the Group's significant operational and financial matters, including but not limited to substantial mergers and acquisitions and disposals; (iii) overseeing the Group's corporate governance practices; (iv) ensuring a risk management control system in place; (v) directing and monitoring senior management in pursuit of the Group's strategic objectives; and (vi) determining the remuneration packages of all Directors and the Group's senior management, including benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment. Implementation and execution of Board policies and strategies and the daily administrative matters are delegated to the respective Board committees and the management team of the Company.

The Board conducts at least four regular Board meetings a year and additional meetings will be held or resolutions in writing signed by all Directors in lieu of a meeting will be arranged as and when required. If a substantial shareholder of the Company or a Director has a conflict of interest in a transaction which the Board determines to be material, it will be considered and dealt with by the Board at a duly convened Board meeting. Comprehensive information on matters to be discussed at the Board meeting will be supplied to the Directors in a timely manner to facilitate discussion and decision-making.

## Composition of the Board

At the date of this report, the Board comprises 3 executive Directors and 3 INEDs, the name and office of each of the members of the Board and the Board committees of the Company are as follows:

### Board member

Mr. Lam (*Chairman*)  
Mr. Shut Yu Hang  
Mr. Chung Koon Man  
Mr. Tang Chi Wang  
Mr. Wong Kwong On  
Mr. Tse Ting Kwan

### Office

Executive Director  
Executive Director  
Executive Director  
INED  
INED  
INED

### Audit Committee member

Mr. Tse Ting Kwan  
Mr. Tang Chi Wang  
Mr. Wong Kwong On

(*Chairman*)



## Corporate Governance Report (Continued)

### **Remuneration Committee member**

Mr. Wong Kwong On (Chairman)  
Mr. Tse Ting Kwan  
Mr. Lam  
Mr. Chung Koon Man

### **Nomination Committee member**

Mr. Tang Chi Wang (Chairman)  
Mr. Shut Yu Hang  
Mr. Tse Ting Kwan  
Mr. Chung Koon Man

All Directors were appointed for an initial term of 3 years and are subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company (the “Articles”).

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. A balanced composition of executive Directors and INEDs is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the GEM Listing Rules in having at least one of the INEDs with appropriate professional qualifications or accounting or related financial management expertise.

The appointment of Directors is recommended by the Remuneration Committee and the Nomination Committee and approved by the Board based on a formal written procedure and policy for the appointment of new Directors. When selecting potential candidates for the Directors, their skills, experience, expertise, devotion of time and non-conflicts of interests are the key factors.

The daily operation and management of the business of the Group, among other matters, the implementation of strategies, are delegated to the executive Directors. They report periodically to the Board on their work and business decisions.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda for regular meetings. The chairman of the Board has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary.

With the assistance of the executive Directors and the Company Secretary, the chairman of the Board seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and have received adequate and reliable information in a timely manner.

Notices of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a Board or Board committee meeting. With respect to other meetings, the Directors are given as much notice as is reasonable and practicable in the circumstances. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles. The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

## Corporate Governance Report (Continued)

The Directors have full access to information of the Group and are able to obtain independent professional advice whenever they deem necessary. Memorandums are issued to the Directors from time to time to update them with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

Draft minutes are normally circulated to Directors or members of the relevant Board committees for comment within a reasonable time after each meeting.

According to the current Board practice, any material transaction, which involves a conflict of interests between a substantial shareholder or a Director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the INEDs. Directors are abstained from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The Company has received from each of the INEDs an annual confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the INEDs are independent.

### Responsibilities

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include (1) regular board meetings focusing on business strategy, operational issues and financial performance; (2) monitoring the quality, timeliness, relevance and reliability of internal and external reporting; (3) monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and (4) ensuing processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

### Director's Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements of the Group are accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group. In preparing the accounts for the Year, the Directors have, among other things:

- Selected suitable accounting policies and applied them consistently;
- Approved adoption of all Hong Kong Financial Reporting Standards which are in conformity with the International Financial Reporting Standards; and
- Made judgments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

# Corporate Governance Report (Continued)

## Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 6 Directors. 3 of the Directors are INEDs and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of professional background and skills.

## Delegation by the Board

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities of each committee are described below. All committees are chaired by an INED. All committees have defined terms of reference which are no less exacting than those set out in the CG Code.

During the year, the Board held 3 meetings in total, and the individual attendance record of each Director at the meetings of the Board and the general meeting of the Company during the Year is set out below:

| <b>Name of Directors</b>             | <b>Attendance/<br/>Number of<br/>Board Meetings</b> |
|--------------------------------------|---|
| <i>Executive Directors:</i>          |   |
| Mr. Lam ( <i>Chairman</i> )          | 3/3   |
| Mr. Shut Yu Hang                     | 3/3   |
| Mr. Chung Koon Man ( <i>Note 2</i> ) | N/A   |
| <i>INEDs:</i>                        |   |
| Mr. Tang Chi Wang                    | 3/3   |
| Mr. Wong Kwong On                    | 3/3   |
| Mr. Tse Ting Kwan                    | 3/3   |

### Notes:

1. The attendance figure represents the actual attendance/the number of meetings a Director was required to attend.
2. Mr. Chung Koon Man was appointed as an Executive Director on 14 April 2016.

Apart from regular Board meetings, the chairman also had a meeting with the INEDs without the presence of executive Directors during the Year.

# Corporate Governance Report (Continued)

## Audit Committee

The Audit Committee was established with written terms of reference in compliance with the CG Code on 22 September 2015. The Audit Committee consists of three INEDs, namely Mr. Tse Ting Kwan, serving as the chairman, Mr. Tang Chi Wang and Mr. Wong Kwong On.

The primary responsibilities of the Audit Committee are to (i) review the financial reporting process of the Group and its internal control and risk management systems, the effectiveness of the Company's internal audit function, (ii) oversee the audit process, (iii) review the Company's compliance with the CG Code, (iv) review and supervise the Company's financial reporting process and internal control systems and (v) perform other duties assigned by the Board. All committee members possess appropriate professional qualifications or accounting or related financial management expertise as required by the GEM Listing Rules.

During the Year, the Audit Committee reviewed the financial results of the Group on a quarterly basis, audit plans and findings of the external auditor, the independence of external auditors, accounting principles and practices of the Group, the GEM Listing Rules and statutory compliance, internal controls, risk management, financial reporting matters and adequacy of resources, qualifications and experience of accounting and financial reporting staff and made recommendations to the Board to improve the quality of financial information to be disclosed and internal control. The Audit Committee has also reviewed and approved the engagement of external auditors to perform statutory audit and approved their fees. There was no disagreement between the Board and the Audit Committee on the selection and appointment of external auditors.

The Company's financial statements for the Year have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been fully made.

During the Year, the Audit Committee held 2 meetings and performed duties including reviewing the Group's annual, half-yearly and quarterly reports. The individual attendance record of each member at the meetings of the Audit Committee during the Year is set out below:

| <b>Name of Members</b>                | <b>Attendance/<br/>Number of<br/>Meetings</b> |
|---------------------------------------|---|
| Mr. Tse Ting Kwan ( <i>Chairman</i> ) | 2/2   |
| Mr. Tang Chi Wang                     | 2/2   |
| Mr. Wong Kwong On                     | 2/2   |

*Note:*

1. The attendance figure represents the actual attendance/the number of meetings a member was required to attend.

Apart from the above, the Audit Committee also has meeting twice with the Auditor of the Company during the Year.

# Corporate Governance Report (Continued)

## Remuneration Committee

The Remuneration Committee was established with written terms of reference in compliance with the CG Code on 22 September 2015. The Remuneration Committee consists of two INEDs, namely Mr. Wong Kwong On, serving as the chairman and Mr. Tse Ting Kwan, and two executive Directors namely Mr. Lam and Mr. Chung Koon Man.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure of all remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing a policy on such remuneration, assess performance of executive directors and approve the terms of executive directors' service contracts.

The Remuneration Committee and the Board review the terms of reference of the Remuneration Committee at least annually. The terms of reference of the Remuneration Committee are in line with the requirements of the GEM Listing Rules.

According to the terms of reference of the Remuneration Committee, the Remuneration Committee makes recommendation, to the Board for its final determination of the remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; and make recommendations to the Board about the Directors' fee of non-executive Directors. In determining the emoluments payable to the Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, responsibilities and performance of the Directors and senior management.

The Remuneration Committee members held 3 meeting in the Year. During the Year, the Committee has discussed and reviewed the executive Directors' services contract and performance of and the remuneration packages for the Directors and the senior management. The remuneration policy of the Company is to enable the Company to retain and motivate employees (including executive Directors) to meet corporate objectives. A Director is not allowed to approve his/her own remuneration. The remuneration package of an executive Director includes basic salary, allowance, discretionary bonus and share-based benefits, which are all covered by a service contract. The Director's fee of INEDs is subject to annual assessment. Remuneration surveys on companies operating in similar business, inflation rates, industry trends and performance of the Company are referred to when the Remuneration Committee is considering the remuneration packages of the Directors.

The individual attendance record of each member at the meetings of the Remuneration Committee during the Year is set out below:

| <b>Name of Members</b>                | <b>Attendance/<br/>Number of<br/>Meetings</b> |
|---------------------------------------|---|
| Mr. Wong Kwong On ( <i>Chairman</i> ) | 3/3   |
| Mr. Tse Ting Kwan                     | 3/3   |
| Mr. Lam                               | 3/3   |
| Mr. Chung Koon Man ( <i>Note 2</i> )  | N/A   |

*Notes:*

1. The attendance figure represents actual attendance/the number of meeting a member was required to attend.
2. Mr. Chung Koon Man was appointed as an Executive Director and a member of Remuneration Committee on 14 April 2016 and 17 June 2016 respectively.

# Corporate Governance Report (Continued)

## Nomination Committee

The Nomination Committee was established with written terms of reference in compliance with the CG Code on 22 September 2015. The Nomination Committee consists of two INEDs, namely Mr. Tang Chi Wang, serving as the chairman and Mr. Tse Ting Kwan and two executive Directors namely Mr. Chung Koon Man and Mr. Shut Yu Hang.

The Nomination Committee is responsible for (i) reviewing the Board's structure, size, composition and diversity against factors including but not limited to gender, age, nationality, cultural and educational background, professional experience, skills, knowledge, industry experience and length of services, having regard to the Group's business activities, assets and management portfolio, (ii) selecting Board members and ensuring transparency of the selection process, (iii) reviewing and monitoring the training and continuous professional development of the Directors and senior management and (iv) assessing the independence of the INEDs, having regard to the requirements under the GEM Listing Rules. The Committee identifies individuals suitably qualified to become or continue to be the Board members by taking into consideration criteria like expertise, experience and commitment and makes recommendations to the Board on the selection of individuals nomination for directorships.

The Nomination Committee and the Board review the terms of reference of the Nomination Committee at least annually. The terms of reference of the Nomination Committee are in line with the requirements of the GEM Listing Rules.

The individual attendance record of each member at the meetings of the Nomination Committee during the Year is set out below:

| <b>Name of Members</b>             | <b>Attendance/Number<br/>of Meetings</b> |
|------------------------------------|--|
| Mr. Tang Chi Wang                  | 1/1                                      |
| Mr. Shut Yu Hang                   | 1/1                                      |
| Mr. Tse Ting Kwan                  | 1/1                                      |
| Mr. Chung Koon Man ( <i>Note</i> ) | N/A                                      |

*Note:* Mr. Chung Koon Man was appointed as an Executive Director and a member of Nomination Committee on 14 April 2016 and on 17 June 2016 respectively.

During the Year, the Nomination Committee members (i) reviewed and considered that the structure, size, diversity and composition of the Board are appropriate; (ii) assessed the independence of INEDs; (iii) recommended the appointments of new Board members, and (iv) recommended the aforesaid matters to the Board for approval.

Details of the directors' remuneration and five highest paid individuals for the Year as regarded to be disclosed pursuant to the Code are provided in note 8 to the consolidated financial statements.

# Corporate Governance Report (Continued)

## Remuneration of the Senior Management

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

|                                | <b>Number of individuals</b> |
|--------------------------------|------------------------------|
| HK\$ nil to HK\$1,000,000      | 3                            |
| HK\$1,000,000 to HK\$1,500,000 | 2                            |

The Nomination Committee will review the Board composition by considering the benefits of all aspects of diversity, including but not limited to those described under the heading of Board Diversity Policy in this report. The Board Diversity Policy shall be reviewed by the Nomination Committee, as appropriate, to ensure its effectiveness.

## Corporate Governance functions

The Board did not establish a corporate governance committee but has delegated its responsibility for performing corporate governance duties to the Audit Committee. During the Year, the Board and the Audit Committee have (i) reviewed the Company's policies and practices on corporate governance and made relevant recommendations to the Board, (ii) reviewed and monitored the training and continuous professional development of the Directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the code of conduct applicable to employees and Directors; and (v) reviewed the Company's compliance with the CG Code and disclosure in this report.

## Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to the specific enquiry made by the Company of the Directors, all Directors of the Company have confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors adopted by the Company throughout the Year.

## Continuous Professional Development for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Directors are continually updated with business and market changes, and legal and regulatory developments to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memoranda, Board papers, and updates on corporate governance practices and director's responsibilities under the GEM Listing Rules, applicable laws and other relevant statutory requirements.

## Corporate Governance Report (Continued)

Up to date of this report, the current Board members participated in the following training programs:

| Name of Directors                  | Types of training   |   |
|------------------------------------|---|---|
|                                    | Attending in-house training organised by professional organisations | Reading materials updating on new rules and regulations |
| <i>Executive directors</i>         |   |   |
| Mr. Lam ( <i>Chairman</i> )        | ✓   | ✓   |
| Mr. Shut Yu Hang                   | ✓   | ✓   |
| Mr. Chung Koon Man ( <i>Note</i> ) | N/A   | ✓   |
| <i>INEDs</i>                       |   |   |
| Mr. Tang Chi Wang                  | ✓   | ✓   |
| Mr. Wong Kwong On                  | ✓   | ✓   |
| Mr. Tse Ting Kwan                  | ✓   | ✓   |

*Note:* Mr. Chung Koon Man was appointed as an Executive Director on 14 April 2016.

### Directors and Officers Insurance

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group and, as at the date of this report, the Directors and officers of the Company are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers of the Company shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

### Company Secretary

The present Company Secretary of the Company is an external service provider, and his primary corporate contact person is Mr. Lam, an executive Director and the Chairman of the Board, for the purpose of code provision F.1.1 of the CG Code. The Company Secretary is to ensure a good information flow within the Board and between the Board and senior management of the Company, to provide advice to the Board in relation to the Directors' obligations under the GEM Listing Rules and applicable laws and regulations and to assist the Board in implementing the corporate governance practices. Mr. Fung Nam Shan, a Company Secretary of the Company, has provided his training records to the Company indicating his compliance with the 15-hour training requirement under Rule 5.15 of the GEM Listing Rules.



# Corporate Governance Report (Continued)

## Internal controls

The Directors of the Company are responsible for maintaining and reviewing the effectiveness of the internal controls of the Company, including material financial, operational and compliance controls, risk management functions and particularly the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting function. Effective for the accounting period beginning on January 1, 2016, the Directors of the Company are required to assess the effectiveness of the risk management and internal control systems on an ongoing basis. Appropriate policies and control procedures have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Company performance are appropriately identified and managed. In the case of the Company, such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These procedures can only provide reasonable, and not absolute, assurance against material misstatement or losses.

Management has conducted regular reviews during the Year on the effectiveness of the internal control system covering all material controls in the financial, operational and compliance controls, various functions for risks management as well as physical and information systems security. The Audit Committee reviews internal control issues identified by external auditor and the management team, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems for the Year. The Audit Committee in turn reports any material issues to the Board.

## Responsibility for the consolidated financial statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group and ensure that the preparation of the consolidated financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

## Auditor's remuneration & responsibilities

The Company has appointed Deloitte Touche Tohmatsu ("DTT") as the Auditor of the Group. For the Year, DTT received HK\$600,000 for audit services and HK\$2,337,000 for non-audit services provided respectively.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the Year.

# Corporate Governance Report (Continued)

## Communications with shareholders and investors

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The disclosure of the Group's information in a reasonable and time manner by the Board is to facilitate the shareholders as well as the investors to have a better understanding of the business performance, operations and strategies of the Group.

Our website at [www.thelloy.com](http://www.thelloy.com) allows the Company's potential and existing investors as well as the public to get access to and acquire the Company's up-to-date corporate and financial information.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. The contact details of the Company are provided in this report, the "Corporate Information" section of this annual report and the Company's website.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns that they may have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

## Procedures for shareholders to convene an extraordinary general meeting

To safeguard shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to article 12.3 of the Articles, any one or more shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so.

Shareholders may send written enquiries to the Company or put forward any enquiries or proposals to the Board. The contact details are as follows:

Company Secretary  
Thelloy Development Group Limited  
Address: 2/F., Centre 600,  
82 King Lam Street,  
Lai Chi Kok,  
Kowloon, Hong Kong  
Fax no.: (852) 2529 9898

## Corporate Governance Report (Continued)

To put forward proposals at an annual general meeting or a special general meeting, the shareholders shall submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's registered office.

The request will be verified with the Company's branch share registrar in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the proposed resolution in the agenda for the general meeting.

Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to article 12.4 of the Articles:

- (a) for an annual general meeting and any special general meeting at which the passing of a special resolution is to be considered, it shall be called by at least 21 clear days' notice in writing; and
- (b) for all other special general meetings, they may be called by not less than 14 clear days' notice in writing.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company's address above-mentioned and provide their full names, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

### **Constitutional documents**

There are no significant changes in the Company's constitutional documents during the Year.

# Report of the Directors

The directors of the Company (the “Directors”) submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the Year.

## Corporate Reorganisation

Pursuant to the reorganisation of the Group in connection with the listing of the shares of the Company on GEM, the Company became the holding company of the Group on 22 September 2015. Details of the reorganisation were set out in the paragraph headed “History and Development — Reorganisation” of the prospectus of the Company dated 30 September 2015 (the “Prospectus”).

## Principal Activities

The principal activity of the Company is investment holding. The Company’s subsidiaries are principally providing (i) building construction services; and (ii) RMAA works services in Hong Kong as main contractor.

An analysis of the Group’s segment information for the Year by business is set out in note 7 to the consolidated financial statements.

## Results and Dividends

Details of the audited consolidated results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 43 of this annual report.

The Board does not recommend the payment of a final dividend for the Year.

## Business Review

A fair review of the business of the Group as well as discussion and analysis of the Group’s performance during the Year and the material factors underlying its financial performance and financial position can be found in the “Chairman’s Statement” and “Management Discussion and Analysis” set out on page 3 and pages 4 to 11 respectively. Details of the Company’s share option scheme are provided on pages 9 to 11 of the “Management Discussion and Analysis”. An analysis of the Group’s financial risk management is provided in note 6(b) to the consolidated financial statements. An indication of likely future development in the Company’s business is set out on page 4 of the “Management Discussion and Analysis”. No important event affecting the Group has occurred since the end of the Year.

## Environmental Policies and Performance

The Group is committed to minimise any negative impact on the environment which may be resulted from business activities. The Group has established an environmental management system and was certified by SGS United Kingdom Limited to be in compliance with the requirements of ISO 14001:2004 since 2009.

The Group adopts the following environmental protection measures in order to ensure proper management of environmental protection and compliance with statutory requirement in our daily operation:

- setting environmental goals and objectives and periodically reviewing such goals and objectives;
- giving priority to minimising environmental impacts and setting environmental friendly construction processes when devising the construction plans;
- monitoring all site operations which have significant environmental impact and ensure compliance with environmental legislations, regulations and requirements to which the Group subscribes;
- encouraging the reduction in disposal and emission of construction wastes, dusts, noise and water pollution at sites;
- taking into account previous environmental performance of the sub-contractors and suppliers when selecting the appropriate sub-contractors and suppliers to be engaged;
- providing education and training to the workers, sub-contractors and suppliers to ensure that they conduct their operations in an environmentally friendly and responsible manner; and
- encouraging feedbacks and suggestions from the customer, workers, sub-contractors, suppliers and public for improvements in the environmental management system.

## Compliance with Law and Regulation

The Group recognises the importance of compliance with regulatory requirements to keep the license and various construction related qualifications granted by respective government departments and quasi-Government organisations and that the risk of non-compliance with such requirements could lead to (i) removal from all categories in which the contractor is listed or a particular category under the current contractors registration scheme; (ii) suspension from tendering in all categories of the contractor lists; and (iii) termination of the business. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with relevant authorities effectively through effective communications.

A review was undertaken of procurement processes, procedures and practices for compliance with the new Competition Ordinance that came into force in December 2015. No significant amendments were required as the pre-existing approach was already consistent with the ethos and requirements of the Ordinance.

To ensure compliance with the new Competition Ordinance, the Group has conducted trainings for our staff. The Company also step up measures to increase safety awareness amongst the management and staff to prevent accidents in contravention with safety regulations.

## Report of the Directors (Continued)

The Group also complies with the requirements under the Companies Law (2013 Revision) of the Cayman Islands Company Limited by shares, the GEM Listing Rules and the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO") for the disclosure of information and corporate governance.

### Key Relationships with Employees and Subcontractors

The Group's success depends on, amongst other matters, the support from key stakeholders which comprise employees, shareholders and subcontractors.

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement. One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for improving the Group's financial performance and rewarding shareholders by stable dividend payouts in the foreseeable future when sustainable earnings growth can be achieved, taking into account the capital adequacy levels, liquidity positions and business expansion needs of the Group.

Subcontracting is commonplace in the building construction services and RMAA work services industry in Hong Kong as it minimises the number of employees employed directly by main contractors, increases labour mobility and brings about cost efficiency. As such, maintaining good relations with the subcontractors is crucial. We have established long-term business relationship with our subcontractors who are closely monitored and supervised by the Group.

The five largest subcontractors (in terms of cost of services) during the Year have maintained business relationship with the Group for a period ranging from 2 to 15 years. Through the past dealings with the subcontractors, the Group have acquired sufficient appreciation of their expertise and strengths for maintaining our internal list of approved subcontractors that are able to meet our safety and quality standards.

### Customers

During the Year, the business opportunities generally arose from reviewing the tender invitations from various Government published on the Gazette or receiving invitation for tender from customers in the private sector.

The major customers include the Government, quasi-Government organisations, universities, schools, institutions and incorporated owners of private buildings. During the Year, revenue derived from the Group's top five largest customers amounted to approximately HK\$120.0 million (2015: HK\$199.0 million), representing approximately 74.9% of the total revenue (2015: 96.1%). In addition, a significant portion of our revenue was derived from the Government and quasi-Government organisations, which accounted for approximately 18.7% of the total revenue for the Year (2015: 74.0%).

## Principal Risks and Uncertainties Facing the Company

A number of factors may affect the results and business operations of the Group, the principal risks and uncertainties faced by the Group are set out below:

**Most of the revenue is derived from contracts awarded through competitive tendering. There is no guarantee that the existing contracts may continue upon expiry or new contracts may be awarded to the Group to maintain or expand the business.**

There are a large number of qualified building construction service providers and RMAA service providers in Hong Kong. Building construction service providers and RMAA service providers must be licensed to be registered general building contractors under the Buildings Ordinance and must have obtained other requisite licences, depending on the skills and technical capabilities required for relevant projects. New participants may be admitted to compete with us provided that they attain the required technical and management capabilities and skills and are granted the required licences. Due to the large number of competitors, the Group may face significant downward pricing pressure which would reduce our profit margins.

Thus, if the Group fail to compete effectively or maintain our competitiveness in the market, the business, financial condition and results of operations will be adversely affected.

The Group continue to leverage on its various licenses and qualifications and extensive experience in construction industry to solidify and expand the market share in the public construction industry and RMAA service in Hong Kong.

### **The Group's cash flows may fluctuate due to the payment practice applied to the projects**

As at 31 March 2016 and 2015, the cash and cash equivalents were approximately HK\$29.6 million and HK\$55.6 million respectively. As a main contractor, the Group normally incur net cash outflows at the early stage of carrying out the works when the Group are required to pay the setting up expenditures in advance of payments from the customers. The customers will pay progress payments after the works commence and such works and payments are certified by the architects of the customers. Accordingly, the cash flows of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress.

The Group undertake a number of projects at any given period, and the cash outflow of a particular project could be compensated by the cash inflows of other projects. If the Group take up too many significant projects, which require substantial initial setting up costs without cash inflow from other projects at a particular point of time, our corresponding cash flow position may be adversely affected.

The Group will continue to closely monitor the capital and cash flow positions, particularly the sub-contracting fees which have augmented in recent years. In the process of identifying and capturing emerging opportunities, the Group will continue to deploy the resources on a selective and prudent basis to focus on projects which are more profitable in nature. The Group will continue to focus on the internal control system to ensure adequate cash flow for the ongoing capital requirements, and to achieve maximum cost savings.

## Report of the Directors (Continued)

### **A significant percentage of the revenue and trade receivable is derived from the major customers**

The revenue derived from the five largest customers amounted to approximately 75.0% of the total revenue in the Year (2015: 96.1%). The Group will broaden the customer base by an expansion in RMAA service and building construction service capacity to cover design and build projects.

### **The Group may take a long time to collect the trade receivables**

The Group normally receive progress payment from the customers on a monthly basis, with reference to the value of the works completed in the preceding month. Generally, the value of the works completed is assessed by the architects of the customers who will issue an interim certificate certifying the work progress in the preceding month.

In line with industry practice, there is generally a contract term for the customer to secure the Group's due performance by holding up retention money from the progress payment. As for contracts with the Government and quasi-Government organisations, the certified value retained at each stage is generally 1% of the progress payment, subject to a limit of retention fund of not more than 1% of the total contract sum. As for contracts with private sector customers, the certified value retained at each stage is generally 5–10%, subject to a limit of retention fund of not more than 5% of the total contract sum. In general, the retention money will be released to the Group after expiry of the defect liability period subject to the confirmation from the architect of the customers regarding satisfaction with our works.

There can be no assurance that the progress payment is paid to the Group on time and in full, or the retention money or any future retention money will be remitted by the customers to the Group on a timely basis and in full or that the level of bad debt arising from such payment practice can be maintained at the same level as during the year. Any failure by the customers to make remittance on time and in full may have an adverse effect on our future liquidity position.

In order to minimize the credit risk, the Group carries out a credit investigation on such customer which includes performance of credit search, assess to and review of its financial information and obtain advice from business partners in relation to the potential customer. The level of credit granted must not exceed a predetermined level set by the Directors and the approval for providing credit facilities to the customer must be documented in writing. The Group also performs ongoing credit evaluations of the customers. In addition, our accounts department follows a set of monitoring procedures to ensure that follow-up steps are taken for collection of receivables.

### **Subsidiaries**

Details (including the principal activities) of the Company's subsidiaries as at 31 March 2016 are set out in note 29 to the consolidated financial statements.



## Reserves

Movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 45 of this annual report and note 28 to the consolidated financial statements, respectively.

## Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements.

## Charitable Donations

Charitable and other donations made by the Group during the Year amounted to HK\$49,000 (2015: HK\$37,039).

## Distributable Reserves

As at 31 March 2016, no reserve was available for distribution to the owners of the Company (2015: Nil).

## Pre-emptive Rights

No pre-emptive rights exist under the Company's Articles or under the laws in Cayman Islands, being the jurisdiction in which the Company was incorporated.

## Group Financial Summary

A summary of the results, assets and liabilities of the Group for the last three financial years is set out on page 80 of this annual report.

## Share Capital and Equity-linked Agreement

Details of the movements in share capital of the Company during the Year are set out in note 23 to the consolidated financial statements.

Save as disclosed under the section headed "Share Option Scheme", no equity-linked agreements were entered into during the year or subsisted at the end of the Year.

# Report of the Directors (Continued)

## Directors

During the Year and thereafter up to the date of this report, the Directors are named as follows:

### Executive Directors:

Mr. Lam Kin Wing Eddie (*Chairman*) (appointed on 28 May 2015)

Mr. Shut Yu Hang (appointed on 30 June 2015)

Mr. Chung Koon Man (appointed on 14 April 2016)

### INEDs

Mr. Tang Chi Wang (appointed on 22 September 2015)

Mr. Wong Kwong On (appointed on 22 September 2015)

Mr. Tse Ting Kwan (appointed on 22 September 2015)

Pursuant to article 16.2 of the Articles, all Directors shall hold office only until the 2016 AGM. They shall retire from office at the 2016 AGM and shall then be eligible for re-election and shall continue to act as a Director throughout the AGM.

## Confirmation of Independence of INEDs

The Company has received an annual written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules from each of the INEDs, namely Mr. Tang Chi Wang, Mr. Wong Kwong On and Mr. Tse Ting Kwan as at the date of this report. The Company considers the INEDs to be independent.

## Biographies of Directors

The biographical details of the Directors are set out on pages 12 to 15 of this annual report.

## Directors' Service Contracts

The Company has entered into service contracts with all executive Directors for a term of 3 years. The contracts shall be continuing thereafter unless and until terminated by either party thereto giving to the other not less than six months written notice.

In addition, the Company has entered into letter of appointments with INEDs for a term of 3 years, which shall be continuing unless and until terminated by either party.

## Report of the Directors (Continued)

None of the Directors who are proposed for re-election at the 2016 AGM has entered into a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### **Directors' Interests in Transactions, Arrangements or Contracts**

Details of the transactions during the year between the Group and connected persons (as defined in the GEM Listing Rules) in which a Director has beneficial interest are set out in the section "Related Party Transactions" of this report and note 25 to the financial statements.

Save as disclosed above, no transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year, nor was there any transaction, arrangements or contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries for the Year. There was also no contract of significance between the Company or one of the subsidiaries and the controlling shareholders or any of its subsidiaries.

### **Management Contract**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the Year.

### **Directors' Emoluments**

Details of the remuneration of the Directors on a named basis during the Year are set out in note 8(a) to the consolidated financial statements.

### **Remuneration Policy**

The remuneration policy of the Company is reviewed regularly, making reference to the market conditions and performance of the Company and individual staff (including the Directors). The remuneration policy and remuneration packages of the Directors and senior management are reviewed by the remuneration committee and the Board, which are detailed in the paragraph headed "Remuneration Committee" under the Corporate Governance Report on page 21 of this annual report.

The Company provides a comprehensive benefit package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the job training, external seminars and programs organised by professional bodies and educational institutes.

# Report of the Directors (Continued)

## Change of Information of Directors and Chief Executive

There are no changes of the Directors' information since the disclosure made in the Company's 2015 third quarterly report for the nine months ended 31 December 2015 and up to the date of this report except the following:

- Mr. Chung Koon Man has appointed as an executive Director, and member of the remuneration committee and nomination committee on 14 April 2016 and 17 June 2016 respectively.

## Share Options Scheme

Details of the Company's share option scheme are set out in the Management Discussion and Analysis on pages 9 to 11.

No share option has been granted, exercised, cancelled or lapsed under the Scheme since its adoption.

## Permitted Indemnity

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

Pursuant to the Articles, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses, which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty.

## Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the date of this report, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) 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 interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

| Name of shareholder | Nature of interest                                   | Number of Shares held | Percentage of shareholding in the Company's issued share capital |
|---------------------|--|-----------------------|--|
| Mr. Lam             | Interest in controlled corporation ( <i>Note 1</i> ) | 600,000,000(L)        | 75%  |
| Mr. Chung Koon Man  | Beneficial owner                                     | 2,000,000             | 0.25%  |

(L) denotes long position.

*Note:*

1. Mr. Lam beneficially owns 100% of the ordinary issued share capital of Cheers Mate Holding Limited ("Cheers Mate"). By virtue of the SFO, Mr. Lam is deemed to be interested in 600,000,000 Shares held by Cheers Mate.

## Report of the Directors (Continued)

Save as disclosed above, as at the date of this report, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) 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 interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

### Directors' Right to Acquire Shares

Save as disclosed under the paragraphs headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" above, at no time during the Year were any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or the chief executive of the Company or any of their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as the Directors are aware, as at the date of this report, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

| Name of shareholders               | Nature of interests                  | Number of Shares held | Percentage of shareholding in the Company's issued share capital |
|------------------------------------|--------------------------------------|-----------------------|--|
| Cheers Mate                        | Beneficial owner                     | 600,000,000(L)        | 75%  |
| Mr. Lam (Note 1)                   | Interest of a controlled corporation | 600,000,000(L)        | 75%  |
| Ms. Cheng Pui Wah Theresa (Note 2) | Interest of spouse                   | 600,000,000(L)        | 75%  |

(L) denotes long position.

Notes:

(1) Mr. Lam beneficially owns 100% of the issued share capital of Cheers Mate. By virtue of the SFO, Mr. Lam is deemed to be interested in 600,000,000 Shares held by Cheers Mate.

(2) Ms. Cheng, Pui Wah Theresa is the spouse of Mr. Lam. By virtue of the SFO, Ms. Cheng is deemed to be interested in the same number of Shares in which Mr. Lam is deemed to be interested under the SFO.

## Report of the Directors (Continued)

Save as disclosed above, as at the date of this report, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### Shareholders' Interests in Securities of Significance

Other than the interests disclosed above in respect of the substantial shareholders, as at 31 March 2016, no other person is individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

### Major customers and sub-contractors

The percentage of sales for the Year generated from the Group's major customers is as follows:

|                          |       |
|--------------------------|-------|
| — The largest customer   | 26.3% |
| — Five largest customers | 74.2% |

The percentage of sub-contracting fees for the Year attributable to the Group's major sub-contractors is as follows:

|                                |       |
|--------------------------------|-------|
| — The largest sub-contractors  | 35.4% |
| — Five largest sub-contractors | 71.5% |

None of the Directors, their close associates (as defined in the GEM Listing Rules) or any shareholders (which to the knowledge of the Directors, owns more than 5% of the Company's share capital) had an interest in any of the Group's five largest customers and sub-contractors for the Year.

### Purchase, sale or redemption of shares by the Company's Listed Securities

Except for the Listing of the Shares on GEM on the Listing Date, the Company did not redeem any of its Shares listed and traded on GEM nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Year.

## Code of Conduct Regarding Director's Securities Transactions

The Company has adopted a code of conduct regarding Director's securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made a specific enquiry by the Company, each of the Directors confirmed that he had complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the period from the Listing Date to the date of this report.

## Directors' Interests in Competing Business

During the Year, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

## Interest of Compliance Adviser

As notified by the Company's compliance adviser, Anglo Chinese Corporate Finance Limited (the "Compliance Adviser"), as at 31 March 2016, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 24 September 2015, the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## Audit Committee

The Company has set up an audit committee (the "Audit Committee") on 22 September 2015 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the Corporate Governance Code. The duties of the Audit Committee are to review relationship with the Company's external auditors, review the Company's financial information, oversee the Company's financial reporting system and internal control procedures and oversee the Company's continuing connected transactions. The Audit Committee comprises all three INEDs, namely Mr. TSE Ting Kwan, who is the chairman of the Audit Committee, Mr. TANG Chi Wang and Mr. WONG Kwong On. The audited consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and adequate disclosures have been made.

## Related Party Transactions

Details of the significant related party transactions of the Group are set out in note 25 to the consolidated financial statements and are fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

# Report of the Directors (Continued)

## Public Float

From the information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital are held by the public at all times throughout the period from the Listing Date to 31 March 2016 and thereafter up to the date of this report.

## Compliance with Corporate Governance Code

The Company is committed to implementing good corporate governance practices. Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 16 to 27 of this annual report.

## The 2016 Annual General Meeting

The 2016 annual general meeting of the Company will be held at 8/F Wheelock House, 20 Pedder Street, Central, Hong Kong on Tuesday, 26 July 2016 at 11:00 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the GEM Listing Rules in due course.

## Subsequent Event

The Group had no material event subsequent to the end of the reporting period and up to the date of this report.

## Independent Auditors

The consolidated financial statements for the Year have been audited by DTT, who will retire and, being eligible, offer themselves for re-appointment. The Board has taken the Audit Committee's recommendation that a resolution for their re-appointment as independent auditor of the Company will be proposed at the 2016 AGM.

On behalf of the Board

**Lam Kin Wing Eddie**

*Executive Director and Chairman*

Hong Kong, 17 June 2016





## **TO THE MEMBERS OF THELLOY DEVELOPMENT GROUP LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Thelloy Development Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 79, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, 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 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, 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 consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

# Independent Auditor's Report (Continued)

## Opinion

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

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

17 June 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016

|  | <i>Notes</i> | <b>2016</b><br><b>HK\$'000</b> | 2015<br>HK\$'000 |
|--|--------------|--------------------------------|------------------|
| Revenue  | 7            | <b>160,673</b>                 | 207,031          |
| Direct cost  |              | <b>(129,098)</b>               | (176,953)        |
| Gross profit                                       |              | <b>31,575</b>                  | 30,078           |
| Other income                                       |              | <b>316</b>                     | 212              |
| Other gains and losses                             |              | <b>(24)</b>                    | 165              |
| Administrative expenses                            |              | <b>(14,066)</b>                | (8,940)          |
| Listing expenses                                   |              | <b>(11,752)</b>                | —                |
| Finance costs                                      | 9            | <b>(38)</b>                    | (203)            |
| Profit before taxation                             | 10           | <b>6,011</b>                   | 21,312           |
| Income tax expense                                 | 11           | <b>(3,151)</b>                 | (3,516)          |
| Profit and total comprehensive income for the year |              | <b>2,860</b>                   | 17,796           |
| Earnings per share                                 | 13           |                                |                  |
| Basic (HK cents)                                   |              | <b>0.40</b>                    | 2.82             |

# Consolidated Statement of Financial Position

At 31 March 2016

|  | <i>Notes</i> | <b>2016</b><br><b>HK\$'000</b> | 2015<br>HK\$'000 |
|--|--------------|--------------------------------|------------------|
| <hr/>  |              |                                |                  |
| Non-current assets                           |              |                                |                  |
| Plant and equipment                          | 14           | <b>853</b>                     | 1,604            |
| <hr/>  |              |                                |                  |
| Current assets                               |              |                                |                  |
| Trade receivables                            | 15           | <b>51,427</b>                  | 20,693           |
| Other receivables, deposits and prepayments  | 16           | <b>20,137</b>                  | 12,430           |
| Amounts due from customers for contract work |              | <b>1,857</b>                   | —                |
| Tax recoverable                              |              | <b>275</b>                     | —                |
| Amounts due from a related company           | 18           | —                              | 33,520           |
| Pledged bank deposits                        | 19           | <b>28,110</b>                  | 3,024            |
| Bank balances and cash                       | 19           | <b>29,640</b>                  | 55,598           |
|  |              | <b>131,446</b>                 | 125,265          |
| <hr/>  |              |                                |                  |
| Current liabilities                          |              |                                |                  |
| Trade payables                               | 20           | <b>26,994</b>                  | 1,215            |
| Other payables and accrued expenses          | 21           | <b>24,950</b>                  | 52,010           |
| Amounts due to customers for contract work   | 17           | <b>6,248</b>                   | 10,660           |
| Tax payable                                  |              | —                              | 6,646            |
| Obligations under finance leases             | 22           | <b>300</b>                     | 581              |
|  |              | <b>58,492</b>                  | 71,112           |
| <hr/>  |              |                                |                  |
| Net current assets                           |              | <b>72,954</b>                  | 54,153           |
| <hr/>  |              |                                |                  |
| Total assets less current liabilities        |              | <b>73,807</b>                  | 55,757           |
| <hr/>  |              |                                |                  |
| Non-current liabilities                      |              |                                |                  |
| Obligations under finance leases             | 22           | <b>75</b>                      | 375              |
| <hr/>  |              |                                |                  |
| Net assets                                   |              | <b>73,732</b>                  | 55,382           |
| <hr/>  |              |                                |                  |
| Capital and reserves                         |              |                                |                  |
| Share capital                                | 23           | <b>8,000</b>                   | 18,800           |
| Reserves                                     |              | <b>65,732</b>                  | 36,582           |
| <hr/>  |              |                                |                  |
| Total equity                                 |              | <b>73,732</b>                  | 55,382           |
| <hr/>  |              |                                |                  |

The consolidated financial statements on pages 43 to 79 were approved and authorised for issue by the Board of Directors on 17 June 2016 and are signed on its behalf by:

**Lam Kin Wing Eddie**  
*Director*

**Shut Yu Hong**  
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

|   | Share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Other<br>reserve<br>HK\$'000 | Retained<br>earnings<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|------------------------------|------------------------------|----------------------------------|-------------------|
| At 1 April 2014   | 16,000                       | —                            | —                            | 27,786                           | 43,786            |
| Profit and total comprehensive income<br>for the year         | —                            | —                            | —                            | 17,796                           | 17,796            |
| Dividends paid ( <i>note 12</i> )                             | —                            | —                            | —                            | (9,000)                          | (9,000)           |
| Issue of shares   | 2,800                        | —                            | —                            | —                                | 2,800             |
| At 31 March 2015  | 18,800                       | —                            | —                            | 36,582                           | 55,382            |
| Profit and total comprehensive income<br>for the year         | —                            | —                            | —                            | <b>2,860</b>                     | <b>2,860</b>      |
| Dividends paid ( <i>note 12</i> )                             | —                            | —                            | —                            | <b>(35,000)</b>                  | <b>(35,000)</b>   |
| Effect of reorganisation ( <i>note</i> )                      | <b>(18,800)</b>              | —                            | <b>18,800</b>                | —                                | —                 |
| Issue of shares   | <b>1,700</b>                 | <b>53,550</b>                | —                            | —                                | <b>55,250</b>     |
| Capitalisation issue ( <i>note 23</i> )                       | <b>6,300</b>                 | <b>(6,300)</b>               | —                            | —                                | —                 |
| Transaction costs directly attributable to<br>issue of shares | —                            | <b>(4,760)</b>               | —                            | —                                | <b>(4,760)</b>    |
| As at 31 March 2016   | <b>8,000</b>                 | <b>42,490</b>                | <b>18,800</b>                | <b>4,442</b>                     | <b>73,732</b>     |

Note: Other reserve represents the difference between the share capital of Techoy Construction (as defined in note 2) and that of the Company issued pursuant to a group reorganisation as stated in note 2.

# Consolidated Statement of Cash Flows

For the year ended 31 March 2016

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| <b>OPERATING ACTIVITIES</b>                                |                  |                  |
| Profit before taxation                                     | <b>6,011</b>     | 21,312           |
| Adjustments for:   |                  |                  |
| Depreciation of plant and equipment                        | <b>830</b>       | 664              |
| Loss (gain) of written-off/disposal of plant and equipment | <b>24</b>        | (165)            |
| Finance costs  | <b>38</b>        | 203              |
| Bank interest income                                       | <b>(286)</b>     | (92)             |
| Operating cash flows before movements in working capital   | <b>6,617</b>     | 21,922           |
| Decrease in amounts due to customers of contract work, net | <b>(6,269)</b>   | (6,102)          |
| Increase in trade receivables                              | <b>(30,734)</b>  | (12,960)         |
| Increase in other receivables, deposits and prepayments    | <b>(7,707)</b>   | (7,352)          |
| Increase (decrease) in trade payables                      | <b>25,779</b>    | (5,371)          |
| (Decrease) increase in other payables and accrued charges  | <b>(27,060)</b>  | 39,822           |
| Cash (used in) generated from operations                   | <b>(39,374)</b>  | 29,959           |
| Tax paid   | <b>(10,072)</b>  | (1,518)          |
| <b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>        | <b>(49,446)</b>  | 28,441           |
| <b>INVESTING ACTIVITIES</b>                                |                  |                  |
| Bank interest received                                     | <b>286</b>       | 92               |
| Purchase of plant and equipment                            | <b>(103)</b>     | (331)            |
| Proceeds from disposal of plant and equipment              | —                | 165              |
| Repayment from a director                                  | —                | 10,017           |
| Advance to a director                                      | —                | (9,887)          |
| Advance to related companies                               | <b>(1,480)</b>   | (77,619)         |
| Repayment from related companies                           | —                | 77,818           |
| Placement of pledged bank deposits                         | <b>(25,086)</b>  | (24)             |
| <b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>        | <b>(26,383)</b>  | 231              |

# Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2016

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| <hr/>  |                  |                  |
| FINANCING ACTIVITIES   |                  |                  |
| Interest paid  | (38)             | (203)            |
| Issue of shares of Techoy Construction <i>(as defined in note 2)</i>                   | —                | 2,800            |
| Issue of shares of the Company   | 55,250           | —                |
| Transaction costs attributable to issue of shares                                      | (4,760)          | —                |
| Repayment of obligations under finance leases  | (581)            | (525)            |
| Repayment of bank borrowings   | —                | (1,068)          |
| Dividend paid  | —                | (9,000)          |
| <hr/>  |                  |                  |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES   | 49,871           | (7,996)          |
| <hr/>  |                  |                  |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS                                   | (25,958)         | 20,676           |
| <hr/>  |                  |                  |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR                                     | 55,598           | 34,922           |
| <hr/>  |                  |                  |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR,<br>represented by bank balances and cash | 29,640           | 55,598           |
| <hr/>  |                  |                  |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 1. General

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 28 May 2015 and its shares are listed on Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) on 9 October 2015. The address of the Company’s registered office and the principal place of business are PO Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104 and 2/F, Centre 600, 82 King Lam Street, Lai Chi Kwok, Kowloon, Hong Kong, respectively.

The Company and its subsidiaries (the “Group”) are principally engaged in property construction services in Hong Kong.

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

## 2. Group Reorganisation and Basis of Presentation

Before the completion of the reorganisation as mentioned below (the “Reorganisation”), Techoy Construction Company Limited (“Techoy Construction”) is wholly owned by Mr. Lam Kin Wing Eddie (“Mr. Lam”), the director and controlling shareholder of the Company.

In preparation of the listing of the Company’s shares on the GEM of the Stock Exchange (the “Listing”), the companies comprising the Group underwent the reorganisation as described below.

1. On 28 May 2015, Cheers Mate Holding Limited (“Cheers Mate”) was incorporated in the BVI as a limited liability company with an authorised share capital of 50,000 shares with no par value. At the time of incorporation, Cheers Mate was wholly-owned by Mr. Lam.
2. On 28 May 2015, the Company was incorporated as an exempted company with limited liability with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each under the laws of the Cayman Islands. Upon incorporation of the Company, one share was allotted and issued at par to a nominee company, Mapcal Limited, as the initial subscriber, which was then be transferred to Cheers Mate.
3. On 28 May 2015, Techoy Holding Limited (“Techoy Holding”) was incorporated in the British Virgin Islands (the “BVI”) as a limited liability company with an authorised share capital of 50,000 shares with no par value. On 11 June 2015, one share of Techoy Holding was allotted and issued to the Company.
4. On 22 September 2015, through a share swap agreement, Mr. Lam transferred all his shares in Techoy Construction to Techoy Holding in consideration of and exchange for (i) the allotment and issue of a total of 99 shares in Techoy Holding, credited as fully paid to the Company; (ii) the allotment and issue of 99 shares in the Company, credited as fully paid at par, to Cheers Mate; and (iii) the allotment and issue of 99 shares in Cheers Mate, credited as fully paid to Mr. Lam. As a result, Techoy Construction became a direct wholly-owned subsidiary of Techoy Holding.
5. On 22 September 2015, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of 1,962,000,000 shares.



## 2. Group Reorganisation and Basis of Presentation (Continued)

Pursuant to the reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group by interspersing the Company and Techoy Holding between Mr. Lam and Techoy Construction. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity and accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 31 March 2016 and 2015 and the consolidated statement of financial position as at 31 March 2015 are prepared as if the current group structure had been in existence since 1 April 2014.

## 3. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

The Company has applied all new and revised HKFRSs issued by the HKICPA that are effective for the Company’s financial year beginning on 1 April 2015.

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

|  |  |
|--|--|
| HKFRS 9                                      | Financial instruments <sup>1</sup>   |
| HKFRS 15                                     | Revenue from contracts with customers <sup>1</sup>   |
| HKFRS 16                                     | Leases <sup>2</sup>  |
| Amendments to HKFRS 11                       | Accounting for acquisitions of interests in joint operations <sup>3</sup>                          |
| Amendments to HKAS 1                         | Disclosure initiative <sup>3</sup>   |
| Amendments to HKAS 16 and HKAS 38            | Clarification of acceptable methods of depreciation and amortisation <sup>3</sup>                  |
| Amendments to HKAS 16 and HKAS 41            | Agriculture: Bearer plants <sup>3</sup>  |
| Amendments to HKAS 27                        | Equity method in separate financial statements <sup>3</sup>  |
| Amendments to HKFRS 10, HKAS 28              | Sale or contribution of assets between an investor and its associate or joint venture <sup>4</sup> |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: Applying the consolidation exception <sup>3</sup>                             |
| Amendments to HKFRSs                         | Annual improvements to HKFRSs 2012–2014 cycle <sup>3</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

### HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including Hong Kong Accounting Standard (“HKAS”) 18 “Revenue”, HKAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 3. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### HKFRS 15 Revenue from contracts with customers (Continued)

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. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company are in the process of assessing the impact of HKFRS 15 and consider that it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right-to-use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flow. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

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. The directors of the Company anticipate that the application of HKFRS 16 in the future will have a material impact on the Group’s consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Except for above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

## 4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRS issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors’ reports and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on fair value of the consideration given in exchange for 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 at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company 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. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 4. Significant Accounting Policies (Continued)

The principal accounting policies adopted are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

### Revenue recognition

Revenue is measured at fair value of the consideration received or receivable.

Revenue from construction contracts is based on the stage of completion at the end of the reporting period. The percentage of completion is determined using methods that measure reliably the work performed. The methods used include reference to surveys of work performed or the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs.

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 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

## 4. Significant Accounting Policies (Continued)

### Plant and equipment

Plant and equipment 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 items of plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values 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 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 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.

### Impairment losses 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 to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) 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 cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 4. Significant Accounting Policies (Continued)

### 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 each reporting period, measured based on the proportion that revenue recognised with reference to surveys of work performed to date relative to the estimated total contract revenue or the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs, except where these would not be representative of the stage of completion. 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.

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 expense 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 billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

### 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 it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 bases 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 profit 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 in a transaction that affects neither the taxable profit nor the accounting profit.

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.

## 4. Significant Accounting Policies (Continued)

### Taxation (Continued)

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 the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

### 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 statements 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, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

### Retirement benefits costs

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

### Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 4. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *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 and points 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.

##### *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 trade receivables, other receivables and deposits, amount due from a related company, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

##### *Impairment of loans and receivables*

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables 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 loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade 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 trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade 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 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.



## 4. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Impairment of loans and receivables (Continued)*

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 losses 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.

#### Financial liabilities and equity instruments

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

##### *Equity instruments*

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

##### *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 (including all fees and points 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 financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

##### *Financial liabilities*

Financial liabilities including trade payables, other payables and accrued expenses and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

#### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities 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.

#### 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 4. Significant Accounting Policies (Continued)

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

## 5. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 estimates 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.

The following is 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 within the next financial year.

### Construction contract

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 6. Financial Instruments

### (a) Categories of financial instruments

|   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|------------------|------------------|
| <b>Financial assets</b>                                     |                  |                  |
| Loans and receivables (including cash and cash equivalents) | <b>128,978</b>   | 124,401          |
| <b>Financial liabilities</b>                                |                  |                  |
| Amortised cost  | <b>51,944</b>    | 53,225           |
| Obligation under finance leases                             | <b>375</b>       | 956              |

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, amount due from a related company, pledged bank deposits and bank balances and cash, trade payables, other payables and accrued expenses and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Currency risk

The Group has limited currency exposure as both the sales and direct costs are denominated in the functional currency of the respective group entity. Accordingly, the management considers that the Group's exposure to foreign currency risk is minimal.

#### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its obligations under finance lease (note 22).

The Group's cash flow interest rate risk primarily relates to the pledged banks deposits and bank balances (note 19).

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

#### Sensitivity analysis

In the opinion of management of the Group, the expected change in interest rate will not have significant impact on interest income from bank balances, hence sensitivity analysis is not presented.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 6. Financial Instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### Credit risk

The Group's credit risk is primarily attributable to trade receivables, other receivables and bank balances.

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

Management considers government departments/organisation are of good credit quality and credit risk is low. Except for the customers of government departments/organisation, management adopted a policy on providing credit facilities to new customers. A credit investigation, including assess to financial information, advice from business partners in relation to potential customers and credit search, would be conducted. The level of credit granted must not exceed a predetermined level set by the management and approvals for excess over credit limits must be documented in writing. Credit evaluation is performed on a regular basis. There is a team of staff designated for collection of receivables.

The Group has concentration of credit risks with exposure limited to certain customers. Two customers (2015: two customers) amounting to in aggregate approximately HK\$35,736,000 (2015: HK\$17,921,000) and HK\$4,777,000 (2015: HK\$6,563,000) comprised approximately 69% (2015: 87%) of the Group's trade receivables and 45% (2015: 74%) of the Group's retention receivables, respectively, as at 31 March 2016. The management of the Group closely monitors the subsequent settlement of the customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 March 2015, the Group had concentration of credit risk in respect of amount due from a related company. The amount has been settled during the year ended 31 March 2016.

The credit risk for pledged bank deposits and bank balances is considered as not material as such amounts are placed in banks with good reputations.

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

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. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest flows are at floating rate, the undiscounted amount is derived from prevailing interest rate at the end of the reporting period.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 6. Financial Instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

The table includes both interest and principal cash flows.

|   | Weighted<br>average<br>effective<br>interest rate<br>% | Within<br>1 year<br>HK\$'000 | 1-5<br>years<br>HK\$'000 | Total<br>undiscounted<br>cash flows<br>HK\$'000 | Total<br>carrying<br>amount<br>HK\$'000 |
|---|--|------------------------------|--------------------------|---|---|
| <b>As at 31 March 2016</b>                  |  |                              |                          |   |   |
| <b>Non-derivative financial liabilities</b> |  |                              |                          |   |   |
| Trade payable                               | N/A  | 26,994                       | —                        | 26,994  | 26,994                                  |
| Other payables and accrued charges          | N/A  | 24,950                       | —                        | 24,950  | 24,950                                  |
| Obligations under finance leases            | 2.93%  | 332                          | 82                       | 414   | 375                                     |
|   |  | <b>52,276</b>                | <b>82</b>                | <b>52,358</b>                                   | <b>52,319</b>                           |
| <b>As at 31 March 2015</b>                  |  |                              |                          |   |   |
| <b>Non-derivative financial liabilities</b> |  |                              |                          |   |   |
| Trade payable                               | N/A  | 1,215                        | —                        | 1,215   | 1,215                                   |
| Other payables and accrued charges          | N/A  | 52,010                       | —                        | 52,010  | 52,010                                  |
| Obligations under finance leases            | 2.93%  | 618                          | 415                      | 1,033   | 956                                     |
|   |  | <b>53,843</b>                | <b>415</b>               | <b>54,258</b>                                   | <b>54,181</b>                           |

### (c) Fair value of financial instruments

#### Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 7. Revenue and Segment Information

Revenue represents the fair value of amounts received and receivable from the construction services provided by the Group to external customers. The Group's operations is solely derived from construction services in Hong Kong during the years ended 31 March 2016 and 2015. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 4. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

### Geographical information

No geographical information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's plant and equipment amounting to HK\$853,000 (2015: HK\$1,604,000) as at 31 March 2016 are all located in Hong Kong by physical location of assets.

### Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

|            | <b>2016</b>     | 2015     |
|------------|-----------------|----------|
|            | <b>HK\$'000</b> | HK\$'000 |
| Customer A | <b>42,249</b>   | N/A      |
| Customer B | <b>35,500</b>   | N/A      |
| Customer C | —*              | 42,529   |
| Customer D | —*              | 105,616  |
| Customer E | —*              | 29,690   |

\* These customers accounted for less than 10% of revenue during the Year.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 8. Directors', Chief Executive's and Employees' Remuneration

### (a) Directors' and chief executive's emoluments

Mr. Lam was appointed as director of the Company on 28 May 2015 and Mr. Shut Yu Hang was appointed as director of the Company on 30 June 2015. Mr. Tang Chi Wang, Mr. Tse Ting Kwan and Mr. Wong Kwong On were appointed as directors of the Company on 22 September 2015. The emoluments paid or payable to directors of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company by the Group) are as follows:

|   | <b>Mr. Lam</b> | <b>Shut Yu Hang</b> | <b>Tang Chi Wang</b> | <b>Tse Ting Kwan</b> | <b>Wong Kwong On</b> | <b>Total</b> |
|---|----------------|---------------------|----------------------|----------------------|----------------------|--------------|
|   | HK\$'000       | HK\$'000            | HK\$'000             | HK\$'000             | HK\$'000             | HK\$'000     |
| <b>Year ended 31 March 2016</b>                         |                |                     |                      |                      |                      |              |
| Fee   | —              | —                   | 72                   | 72                   | 72                   | 216          |
| Other emoluments  |                |                     |                      |                      |                      |              |
| — salaries and other benefits                           | 1,920          | 1,075               | —                    | —                    | —                    | 2,995        |
| — performance and discretionary bonus ( <i>note a</i> ) | 2,500          | 450                 | —                    | —                    | —                    | 2,950        |
| — contribution to retirement benefit schemes            | 18             | 18                  | —                    | —                    | —                    | 36           |
| <b>Total emoluments</b>                                 | <b>4,438</b>   | <b>1,543</b>        | <b>72</b>            | <b>72</b>            | <b>72</b>            | <b>6,197</b> |
|   |                |                     | <b>Mr. Lam</b>       | <b>Shut Yu Hang</b>  |                      | <b>Total</b> |
|   |                |                     | HK\$'000             | HK\$'000             |                      | HK\$'000     |
| <b>Year ended 31 March 2015</b>                         |                |                     |                      |                      |                      |              |
| Fee   |                |                     | —                    | —                    |                      | —            |
| Other emoluments  |                |                     |                      |                      |                      |              |
| — salaries and other benefits                           |                |                     | 1,470                | 915                  |                      | 2,385        |
| — performance and discretionary bonus ( <i>note a</i> ) |                |                     | 13                   | 18                   |                      | 31           |
| — contribution to retirement benefit scheme             |                |                     | 500                  | 300                  |                      | 800          |
| <b>Total emoluments</b>                                 |                |                     | <b>1,983</b>         | <b>1,233</b>         |                      | <b>3,216</b> |

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 8. Directors', Chief Executive's and Employees' Remuneration (Continued)

### (a) Directors' and chief executive's emoluments (Continued)

Notes:

- a. The performance and discretionary bonus are determined by the board of directors from time to time with reference to the directors' duties and responsibilities and the Group's performance and profitability.
- b. Mr. Lam acts as chief executive of the Group and his emoluments disclosed above include those for services rendered by him as the chief executive.
- c. The emoluments of executive directors, including Mr. Lam and Mr. Shut Yu Hang were mainly for their services in connection with the management of the affairs of the Company and the Group.
- d. The emoluments of independent non-executive directors, including Mr. Tang Chi Wang, Mr. Tse Ting Kwan and Mr. Wong Kwong On were mainly for their services as directors of the Company.

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

### (b) Employees' emoluments

The five highest paid individuals of the Group during the year included 2 (2015: 2) directors of the Company. Details of their emoluments are included above. The emoluments of the remaining 3 (2015: 3) highest paid individual for the year are set out as follows:

|  | <b>2016</b>     | 2015     |
|--|-----------------|----------|
|  | <b>HK\$'000</b> | HK\$'000 |
| Employees  |                 |          |
| Salaries and other benefits                              | <b>2,148</b>    | 2,037    |
| Bonus  | <b>940</b>      | 640      |
| Contributions to retirement benefit scheme contributions | <b>54</b>       | 52       |
|  | <b>3,142</b>    | 2,729    |



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 8. Directors', Chief Executive's and Employees' Remuneration (Continued)

### (b) Employees' emoluments (Continued)

The emoluments are within the following band:

|                                | <b>2016</b>      | 2015      |
|--------------------------------|------------------|-----------|
|                                | <b>Number of</b> | Number of |
|                                | <b>employees</b> | employee  |
| Nil to HK\$1,000,000           | <b>1</b>         | 2         |
| HK\$1,000,001 to HK\$1,500,000 | <b>2</b>         | 1         |
|                                | <b>3</b>         | 3         |

During the years ended 31 March 2016 and 2015, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during both years.

## 9. Finance Costs

|  | <b>2016</b>     | 2015     |
|--|-----------------|----------|
|  | <b>HK\$'000</b> | HK\$'000 |
| The finance costs represent interest on:           |                 |          |
| – bank borrowings wholly repayable within one year | –               | 150      |
| – obligations under finance leases                 | <b>38</b>       | 53       |
|  | <b>38</b>       | 203      |

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 10. Profit Before Taxation

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| Profit before taxation has been arrived at after charging (crediting):                             |                  |                  |
| Auditor's remuneration   | 600              | 200              |
| Depreciation of plant and equipment  | 830              | 664              |
| Operating lease rentals in respect of buildings  | 1,637            | 1,302            |
| Directors' remuneration ( <i>note 8</i> )  | 6,197            | 3,216            |
| Staff costs  |                  |                  |
| — salaries and allowances  | 13,217           | 18,589           |
| — retirement benefits scheme contributions   | 557              | 694              |
| Total staff costs  | 19,971           | 22,499           |
| Loss (gain) on written-off/disposal of plant and equipment<br>(included in other gains and losses) | 24               | (165)            |
| Bank interest income   | (286)            | (92)             |

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 11. Income Tax Expense

|                              | <b>2016</b>     | 2015     |
|------------------------------|-----------------|----------|
|                              | <b>HK\$'000</b> | HK\$'000 |
| Hong Kong Profits Tax:       |                 |          |
| Current tax                  | <b>(3,151)</b>  | (3,526)  |
| Overprovision in prior years | —               | 10       |
|                              | <b>(3,151)</b>  | (3,516)  |

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

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

|  | <b>2016</b>     | 2015     |
|--|-----------------|----------|
|  | <b>HK\$'000</b> | HK\$'000 |
| Profit before taxation   | <b>6,011</b>    | 21,312   |
| Taxation at the domestic income tax rate of 16.5%                        | <b>(992)</b>    | (3,516)  |
| Tax effect of expense not deductible for the purpose                     | <b>(2,159)</b>  | (18)     |
| Tax effect of income not taxable for tax purpose                         | —               | 15       |
| Utilisation of deductible temporary difference previously not recognised | —               | (7)      |
| Others   | —               | 10       |
| Income tax expense for the year  | <b>(3,151)</b>  | (3,516)  |

## 12. Dividends

During the years ended 31 March 2016 and 2015 prior to the Reorganisation, Techoy Construction declared and paid interim dividends of HK\$35,000,000 and HK\$9,000,000 respectively to Mr. Lam.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 13. Earnings Per Share

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

### Earnings

|   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|------------------|------------------|
| Earnings for the purpose of basic earnings per share<br>(profit for the year attributable to owners of the Company) | <b>2,860</b>     | 17,796           |

### Number of shares

|  | 2016<br>'000   | 2015<br>'000 |
|--|----------------|--------------|
| Number of shares:<br>Weighted average number of ordinary shares for the purpose of<br>calculating basic earnings for share | <b>711,284</b> | 630,000      |

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 23) had been effective on 1 April 2014.

No diluted earnings per share for both years was presented as there were no potential ordinary shares in issue during the years ended 31 March 2016 and 2015.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 14. Plant and Equipment

|   | Leasehold<br>Improvements | Plant and<br>machinery | Furniture<br>and<br>fixtures | Motor<br>vehicles | Office<br>equipment | Computer<br>equipment<br>and<br>software | Total    |
|---|---------------------------|------------------------|------------------------------|-------------------|---------------------|--|----------|
|   | HK\$'000                  | HK\$'000               | HK\$'000                     | HK\$'000          | HK\$'000            | HK\$'000                                 | HK\$'000 |
| <b>COST</b>                             |                           |                        |                              |                   |                     |  |          |
| At 1 April 2014                         | 313                       | 90                     | 979                          | 2,313             | 494                 | 571                                      | 4,760    |
| Additions                               | 13                        | —                      | —                            | 1,080             | 34                  | 4  | 1,131    |
| Disposals                               | —                         | —                      | —                            | (693)             | —                   | —  | (693)    |
| At 31 March 2015                        | 326                       | 90                     | 979                          | 2,700             | 528                 | 575                                      | 5,198    |
| Additions                               | 61                        | —                      | 7                            | —                 | —                   | 35                                       | 103      |
| Written-off/disposals                   | (310)                     | (90)                   | (888)                        | —                 | (389)               | (531)                                    | (2,208)  |
| At 31 March 2016                        | 77                        | —                      | 98                           | 2,700             | 139                 | 79                                       | 3,093    |
| <b>DEPRECIATION</b>                     |                           |                        |                              |                   |                     |  |          |
| At 1 April 2014                         | 278                       | 90                     | 973                          | 1,219             | 494                 | 569                                      | 3,623    |
| Provided for the year                   | 8                         | —                      | 2                            | 648               | 4                   | 2  | 664      |
| Eliminated on disposals                 | —                         | —                      | —                            | (693)             | —                   | —  | (693)    |
| At 31 March 2015                        | 286                       | 90                     | 975                          | 1,174             | 498                 | 571                                      | 3,594    |
| Provided for the year                   | 7                         | —                      | 2                            | 810               | 6                   | 5  | 830      |
| Eliminated on written-off/<br>disposals | (286)                     | (90)                   | (888)                        | —                 | (389)               | (531)                                    | (2,184)  |
| At 31 March 2016                        | 7                         | —                      | 89                           | 1,984             | 115                 | 45                                       | 2,240    |
| <b>CARRYING AMOUNTS</b>                 |                           |                        |                              |                   |                     |  |          |
| At 31 March 2016                        | 70                        | —                      | 9                            | 716               | 24                  | 34                                       | 853      |
| At 31 March 2015                        | 40                        | —                      | 4                            | 1,526             | 30                  | 4  | 1,604    |

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 14. Plant and Equipment (Continued)

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

|                                 |   |
|---------------------------------|---|
| Leasehold improvements          | Over the shorter of the term of the lease or 10 years |
| Plant and machinery             | 3 <sup>1</sup> / <sub>3</sub> years                   |
| Furniture and fixtures          | 5 years   |
| Motor vehicles                  | 3 <sup>1</sup> / <sub>3</sub> years                   |
| Office equipment                | 5 years   |
| Computer equipment and software | 5 years   |

As at 31 March 2016, the carrying amounts of motor vehicles included amounts of HK\$716,000 (2015: HK\$1,525,500) in respect of assets held under finance leases.

## 15. Trade Receivables

The Group's credit terms is 30 days from the date of invoices on progress payments of contract works. An aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

|            | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|------------|------------------|------------------|
| 0-30 days  | 45,591           | 20,370           |
| 31-60 days | 5,836            | 323              |
|            | <b>51,427</b>    | 20,693           |

Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 88% (2015: 98%) of trade receivables as at 31 March 2016, that are neither past due nor impaired have no default of payment in the past.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectibility and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each client.

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$5,836,000 (2015: HK\$323,000) which are past due at 31 March 2016, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 45 days (2015: 45 days) as at 31 March 2016.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 15. Trade Receivables (Continued)

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

|            | <b>2016</b><br><b>HK\$'000</b> | 2015<br>HK\$'000 |
|------------|--------------------------------|------------------|
| 31–60 days | <b>5,836</b>                   | 323              |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The trade receivables past due but not provided for as at the end of the reporting period were either subsequently settled or no historical default of payments was noted by the respective customers. The directors of the Company believe that there is no allowance for doubtful debts required.

## 16. Other Receivables, Deposits and Prepayments

|                                       | <b>2016</b><br><b>HK\$'000</b> | 2015<br>HK\$'000 |
|---------------------------------------|--------------------------------|------------------|
| Deposits                              | <b>9,229</b>                   | 2,727            |
| Retention receivables ( <i>Note</i> ) | <b>10,572</b>                  | 8,839            |
| Prepayments                           | <b>336</b>                     | 864              |
| Total                                 | <b>20,137</b>                  | 12,430           |

*Note:* Retention monies withheld by customers of contract works are release after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts. As at 31 March 2016 and 2015, the retention receivables are aged within one year. The retention receivables as at 31 March 2016 and 2015 are neither past due nor impaired. These receivables related to customers for whom there was no recent history of default.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 17. Amounts Due to Customers for Contract Work

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| Contracts in progress at the end of the reporting period:              |                  |                  |
| Contract costs incurred plus recognised profits less recognised losses | <b>132,944</b>   | 124,985          |
| Less: Progress billings  | <b>(137,335)</b> | (135,645)        |
| <b>Total</b>   | <b>(4,391)</b>   | (10,660)         |
| Analysed as:   |                  |                  |
| Amounts due from customers for contract work                           | <b>1,857</b>     | —                |
| Amounts due to customers for contract work                             | <b>(6,248)</b>   | (10,660)         |
|  | <b>(4,391)</b>   | (10,660)         |

## 18. Amount Due from a Related Company

Amount was unsecured and interest-free and repayable on demand.

Details of amount due from a related company, which was of non-trade nature, are as follows:

| Name                          |                  |                  | Maximum amount<br>outstanding during the<br>year ended 31 March |                  |
|-------------------------------|------------------|------------------|---|------------------|
|                               | 2016<br>HK\$'000 | 2015<br>HK\$'000 | 2016<br>HK\$'000  | 2015<br>HK\$'000 |
| Popstate Limited ("Popstate") | —                | 33,520           | <b>33,520</b>   | 67,598           |

Note: Popstate is wholly-owned by Mr. Lam.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 19. Pledged Bank Deposits/Bank Balances and Cash

As at 31 March 2016 and 2015, pledged bank deposit represents deposit pledged to banks to secure the banking facilities granted to the Group, and carried with prevailing market interest rate ranging from 0.01% to 1.15% per annum.

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate from 0.01% to 1.15% per annum.

## 20. Trade Payable

The credit period on subcontracting of contract work services is 30 to 45 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

|                 | <b>2016</b>     | 2015     |
|-----------------|-----------------|----------|
|                 | <b>HK\$'000</b> | HK\$'000 |
| Trade payables: |                 |          |
| 0–30 days       | <b>26,994</b>   | 1,215    |

## 21. Other Payables and Accrued Charges

|                                    | <b>2016</b>     | 2015     |
|------------------------------------|-----------------|----------|
|                                    | <b>HK\$'000</b> | HK\$'000 |
| Accrued charges                    | <b>9,434</b>    | 32,416   |
| Retention payables ( <i>note</i> ) | <b>8,920</b>    | 19,497   |
| Deposits received                  | <b>6,596</b>    | 97       |
|                                    | <b>24,950</b>   | 52,010   |

*Note:* Retention monies from sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts. As at 31 March 2016 and 2015, the retention payables are aged within one year.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 22. Obligations Under Finance Leases

|                                    | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|------------------------------------|------------------|------------------|
| Analysed for reporting purpose as: |                  |                  |
| Current liabilities                | 300              | 581              |
| Non-current liabilities            | 75               | 375              |
|                                    | <b>375</b>       | 956              |

The Group has leased certain of its motor vehicles under finance leases. The lease terms were ranged from two to three years. Interest rates underlying all obligations under finance leases were fixed at respective contract dates at 2.93% (2015: 2.93%) per annum as at 31 March 2016.

|   | Minimum lease payments |                  | Present value of minimum lease payments |                  |
|---|------------------------|------------------|---|------------------|
|   | 2016<br>HK\$'000       | 2015<br>HK\$'000 | 2016<br>HK\$'000                        | 2015<br>HK\$'000 |
| Amount payable under finance leases   |                        |                  |   |                  |
| Within one year   | 332                    | 618              | 300                                     | 581              |
| In the second to fifth years inclusive  | 82                     | 415              | 75                                      | 375              |
|   | <b>414</b>             | 1,033            | <b>375</b>                              | 956              |
| Less: Future finance charges  | <b>(39)</b>            | (77)             | —                                       | —                |
| Present value of lease obligations  | <b>375</b>             | 956              | <b>375</b>                              | 956              |
| Less: Amount due for settlement within one year (shown under current liabilities) |                        |                  | <b>(300)</b>                            | (581)            |
| Amount due for settlement after one year  |                        |                  | <b>75</b>                               | 375              |

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 23. Share Capital

The share capital as at 1 April 2014 and 31 March 2015 represented the share capital of Techoy Construction. During the year ended 31 March 2015, Techoy Construction increased its share capital by 2,800,000 shares at an aggregate subscription price of HK\$2,800,000.

Details of the share capital of the Company are disclosed as follows:

|   | Number<br>of shares | Share<br>capital<br>HK\$'000 |
|---|---------------------|------------------------------|
| Ordinary shares of HK\$0.01 each                |                     |                              |
| Authorised:                                     |                     |                              |
| At 28 May 2015 (date of incorporation) (note i) | 38,000,000          | 380                          |
| Increase on 22 September 2015 (note iii)        | 1,962,000,000       | 19,620                       |
| At 31 March 2016                                | 2,000,000,000       | 20,000                       |
| Issued and fully paid:                          |                     |                              |
| At 28 May 2015 (date of incorporation) (note i) | 1                   | —                            |
| Issue of new shares on Reorganisation (note ii) | 99                  | —                            |
| Capitalisation Issue (note iv)                  | 629,999,900         | 6,300                        |
| Issue of new shares upon Listing (note v)       | 170,000,000         | 1,700                        |
| At 31 March 2016                                | 800,000,000         | 8,000                        |

Notes:

- (i) On 28 May 2015, the Company incorporated and registered as exempted company in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon its incorporation, 1 subscriber share was allotted and issued to Cheers Mate.
- (ii) On 22 September 2015, to effect the Reorganisation, 99 shares were allotted, issued, credited as fully paid to Cheers Mate.
- (iii) Pursuant to the written resolutions passed by the shareholders on 22 September 2015, the authorised share capital of the Company was increased from HK\$380,000 divided into 380,000,000 ordinary shares to HK\$20,000,000 divided into 2,000,000,000 ordinary shares by creation of additional 1,962,000,000 new ordinary shares which shall, when issued and paid, rank *pari passu* in all aspects with the existing issued ordinary shares.
- (iv) Pursuant to the written resolutions passed by the shareholders on 22 September 2015, a sum of HK\$6,300,000 standing to the credit of the share premium account of the Company was capitalised by paying up in full at par a total of 629,999,900 new shares and for allotment and issue to Cheers Mate (the "Capitalisation Issue").
- (v) On 9 October 2015, the Company placed 170,000,000 shares at HK\$0.325 per share for a total gross proceeds of HK\$55,250,000.

All issued shares rank *pari passu* in all respects with each other.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 24. Operating Lease Commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments under a non-cancellable operating lease in respect of rented premises as follows:

|  | <b>2016</b><br><b>HK\$'000</b> | 2015<br>HK\$'000 |
|--|--------------------------------|------------------|
| Within one year                        | <b>1,516</b>                   | 1,302            |
| In the second to fifth years inclusive | <b>101</b>                     | 1,302            |
|  | <b>1,617</b>                   | 2,604            |

Operating lease payments represent rentals payable by the Group for its office premises. Lease is negotiated and fixed for term of two years.

Included above is an operating lease commitment with a related company of HK\$1,302,000 and nil (2015: HK\$1,302,000 and HK\$1,302,000) which fall due within one year and in the second to fifth years inclusive, respectively, as at 31 March 2016.

## 25. Related Party Transaction

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with a related party:

|                                       | <b>2016</b><br><b>HK\$'000</b> | 2015<br>HK\$'000 |
|---------------------------------------|--------------------------------|------------------|
| Management fee received from Popstate | <b>30</b>                      | 120              |
| Operating lease rentals to Popstate   | <b>1,302</b>                   | 1,302            |

Details of the balance with a related company at the end of the reporting period are disclosed in the consolidated statement of financial position and note 18 respectively.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 25. Related Party Transaction (Continued)

### Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

|                          | <b>2016</b>     | 2015     |
|--------------------------|-----------------|----------|
|                          | <b>HK\$'000</b> | HK\$'000 |
| Short-term benefits      | <b>10,604</b>   | 7,064    |
| Post-employment benefits | <b>126</b>      | 121      |
|                          | <b>10,730</b>   | 7,185    |

## 26. Retirement Benefits Scheme

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. Effective from 1 June 2014, the cap of contribution amount has been changed from HK\$1,250 to HK\$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the MPF Scheme by the Group at rates specified in the rules of the scheme.

The contributions paid and payable to the scheme by the Group are disclosed in note 10.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 27. Non-Cash Transactions

During the year ended 31 March 2016, Techoy Construction declared distribution of dividends of HK\$35,000,000 to Mr. Lam. The amount is settled through the current account with a related company, which controlled by Mr. Lam.

During the year ended 31 March 2015, the Group entered into finance lease arrangements in respect of motor vehicle with a total capital value at the inception of the lease of HK\$800,000.

## 28. Statement of Financial Position of the Company

|                               | 2016<br>HK\$'000 |
|-------------------------------|------------------|
| <b>Current assets</b>         |                  |
| Amounts due from subsidiaries | 37,424           |
| Bank balances and cash        | 4                |
| Net assets                    | 37,428           |
| <b>Capital and reserves</b>   |                  |
| Share capital                 | 8,000            |
| Reserves                      | 29,428           |
| Total equity                  | 37,428           |

|  | Share<br>premium<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|--|------------------------------|-----------------------------------|-------------------|
| At 28 May 2015 (date of incorporation)                     | —                            | —                                 | —                 |
| Loss and total comprehensive expense for the period        | —                            | (13,062)                          | (13,062)          |
| Issue of shares ( <i>note 23</i> )                         | 53,550                       | —                                 | 53,550            |
| Capitalisation issue ( <i>note 23</i> )                    | (6,300)                      | —                                 | (6,300)           |
| Transaction costs directly attributable to issue of shares | (4,760)                      | —                                 | (4,760)           |
| At 31 March 2016   | 42,490                       | (13,062)                          | 29,428            |

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 29. Particulars of Principal Subsidiaries

Details of the Company's principal subsidiaries as at 31 March 2016 and 2015 are as follows:

| Name of subsidiary  | Place of incorporation and principal place of business | Issued and fully paid share capital/registered capital | Proportion of nominal value of issued share capital/registered capital held by the Company |              | Principal activities               |
|---------------------|--|--|--|--------------|------------------------------------|
|                     |  |  | Directly %   | Indirectly % |                                    |
| Techoy Holdings     | BVI/Hong Kong  | US\$1  | 100  | —            | Investment holding                 |
| Techoy Construction | Hong Kong  | HK\$18,800,000   | —  | 100          | Property construction in Hong Kong |

None of the subsidiaries had issued any debt securities at the end of the reporting period.

# Three Year Financial Summary

## Results

|  | For the year ended 31 March |                  |                  |
|--|-----------------------------|------------------|------------------|
|  | 2016<br>HK\$'000            | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
| Revenue                                      | <b>160,673</b>              | 207,031          | 172,221          |
| Profit attributable to owners of the Company | <b>2,860</b>                | 17,796           | 12,346           |

## Assets and Liabilities

|                   | At 31 March      |                  |                  |
|-------------------|------------------|------------------|------------------|
|                   | 2016<br>HK\$'000 | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
| Total assets      | <b>132,299</b>   | 126,869          | 86,479           |
| Total liabilities | <b>(58,567)</b>  | (71,487)         | (42,693)         |
| Total equity      | <b>73,732</b>    | 55,382           | 43,786           |