

# **Sing On Holdings Limited**

**成安控股有限公司**

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

**(Stock code: 8352)**

## **ANNOUNCEMENT OF ANNUAL RESULT FOR THE YEAR ENDED 31 DECEMBER 2016**

### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

## ANNUAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016, together with the audited comparative figures for the year ended 31 December 2015. These information should be read in conjunction with the prospectus of the Company dated 29 November 2016 (the “Prospectus”).

### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2016*

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	<b>2015</b> <b>HK\$'000</b>
Revenue	3	<b>125,671</b>	120,072
Cost of sales	4	<b>(87,357)</b>	(82,006)
Gross profit		<b>38,314</b>	38,066
Other income and net gains	3	<b>982</b>	87
Administrative and other operating expenses	4	<b>(32,543)</b>	(19,999)
Operating profit		<b>6,753</b>	18,154
Finance costs		<b>(264)</b>	(479)
<b>Profit before income tax</b>		<b>6,489</b>	17,675
Income tax expense	5	<b>(2,929)</b>	(3,478)
<b>Profit and total comprehensive income for the year</b>		<b>3,560</b>	<b>14,197</b>
		<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	6	<b>0.70</b>	<b>2.82</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2016*

	Note	2016 HK\$'000	2015 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>10,597</b>	7,188
<b>Current assets</b>			
Amounts due from customers for contract work	8	9,965	3,568
Trade and other receivables	9	<b>42,215</b>	32,708
Amount due from a director		–	6,568
Amount due from a related company		–	1,637
Cash and cash equivalents		<b>60,828</b>	19,985
		<b>113,008</b>	64,466
<b>Total assets</b>		<b>123,605</b>	71,654
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	10	6,720	1,348
Reserves		<b>79,538</b>	38,905
<b>Total equity</b>		<b>86,258</b>	40,253
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		1,726	2,101
Provision for long service payments		768	858
Deferred taxation		<b>816</b>	589
		<b>3,310</b>	3,548
<b>Current liabilities</b>			
Amounts due to customers for contract work	8	212	174
Trade and other payables	11	<b>26,368</b>	18,433
Amounts due to directors		22	3,363
Borrowings		2,284	1,669
Tax payable		<b>5,151</b>	4,214
		<b>34,037</b>	27,853
<b>Total liabilities</b>		<b>37,347</b>	31,401
<b>Total equity and liabilities</b>		<b>123,605</b>	71,654
<b>Net current assets</b>		<b>78,971</b>	36,613
<b>Total assets less current liabilities</b>		<b>89,568</b>	43,801

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2016*

	Attributable to owners of the Company				
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2015	1,225	–	–	12,625	13,850
Profit and total comprehensive income for the year	–	–	–	14,197	14,197
Interim dividend declared	–	–	–	(2,800)	(2,800)
Transfer to share capital upon the Transfer of Business	115	–	–	(115)	–
Shares issued	<u>8</u>	<u>14,998</u>	<u>–</u>	<u>–</u>	<u>15,006</u>
 Balance at 31 December 2015	<u><b>1,348</b></u>	<u><b>14,998</b></u>	<u><b>–</b></u>	<u><b>23,907</b></u>	<u><b>40,253</b></u>
 Balance at 1 January 2016	<b>1,348</b>	<b>14,998</b>	<b>–</b>	<b>23,907</b>	<b>40,253</b>
Profit and total comprehensive income for the year	–	–	–	3,560	3,560
Interim dividend declared	–	–	–	(8,900)	(8,900)
Reorganisation	<b>(1,348)</b>	<b>(14,998)</b>	<b>16,313</b>	<b>–</b>	<b>(33)</b>
Shares issued pursuant to the capitalisation issue	<b>5,040</b>	<b>(5,040)</b>	<b>–</b>	<b>–</b>	<b>–</b>
Shares issued pursuant to the placing	<b>1,680</b>	<b>58,800</b>	<b>–</b>	<b>–</b>	<b>60,480</b>
Shares issuance costs	<u>–</u>	<u>(9,102)</u>	<u>–</u>	<u>–</u>	<u>(9,102)</u>
 <b>Balance at 31 December 2016</b>	<b><u>6,720</u></b>	<b><u>44,658</u></b>	<b><u>16,313</u></b>	<b><u>18,567</u></b>	<b><u>86,258</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 5 January 2015 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 16 December 2016.

The address of the Company’s registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the Company’s principal place of business is Flat B, G/F, Fu Hop Factory Building, 209 and 211 Wai Yip Street Kwun Tong, Kowloon, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the provision of concrete demolition services in Hong Kong and Macau as mainly a subcontractor.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company’s shares on the GEM of the Stock Exchange (the “Reorganisation”), the group entities were under the control of Mr. Cheung Shek On (“Mr. Cheung”) and Mr. Chan Yuk Sing (“Mr. Chan”) (collectively, the “Controlling Shareholders”). Through the Reorganisation, the Company became the ultimate holding company of the companies now comprising the Group on 22 November 2016. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the ultimate holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Cheung and Mr. Chan prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the ultimate holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). 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 years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation where this is a shorter period. The consolidated statement of financial position as at the 31 December 2015 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date taking into account the respective date of incorporation, where applicable.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 22 March 2017.

## 2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) New and amended standards adopted by the Group

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

(b) *New and amended standards not yet adopted*

The following new standards and amendments to standards relevant to the Group's operations have been issued and are effective for the financial year beginning 1 January 2017 or after and have not been early adopted.

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions <sup>2</sup>
Amendments to HKFRS 4	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarification of HKFRS 15) <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

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

### **HKFRS 16 Leases**

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

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

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

### 3 REVENUE AND SEGMENT INFORMATION

Revenue and other income and net gains recognised during the years are as follows:

	2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>		
Provision of concrete demolition services	<b>125,671</b>	<b>120,072</b>
<b>Other income and net gains</b>		
Sundry income	89	87
Gain on disposal of property, plant and equipment	893	—
	<b>982</b>	<b>87</b>

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

### Geographical information

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

	2016 HK\$'000	2015 HK\$'000
<b>Revenue (by location of customers)</b>		
– Hong Kong	120,965	108,432
– Macau	4,706	11,640
	<b>125,671</b>	<b>120,072</b>

## Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2016 HK\$'000	2015 HK\$'000
Customer A	<b>28,261</b>	N/A <sup>1</sup>
Customer B	<b>20,541</b>	N/A <sup>1</sup>
Customer C	<b>18,738</b>	N/A <sup>1</sup>
Customer D	<b>N/A<sup>1</sup></b>	24,672
Customer E	<b>N/A<sup>1</sup></b>	16,932

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 4 EXPENSES BY NATURE

	2016 HK\$'000	2015 HK\$'000
<b>Cost of sales</b>		
Depreciation of owned assets	1,243	881
Fuel and oil	924	491
Machine rental cost	6,994	8,126
Motor vehicles expense	689	682
Repair and maintenance	404	329
Materials and consumables	16,142	14,581
Staff costs	26,499	20,150
Subcontracting charges	27,284	27,576
Transportation	6,402	8,362
Other expenses	776	828
	<b>87,357</b>	<b>82,006</b>
<b>Administrative and other operating expenses</b>		
Auditors' remuneration	706	50
Building management fee	131	102
Depreciation of owned assets	384	295
Depreciation of assets under finance lease	1,855	1,564
Entertainment	2,488	1,348
Insurance	1,017	940
Legal and professional fees	56	160
Listing expenses	12,174	4,412
Operating lease rental on premises	2,192	2,085
Staff costs, including directors' emoluments	9,217	7,375
Travelling	80	110
Other expenses	2,243	1,558
	<b>32,543</b>	<b>19,999</b>

## 5 INCOME TAX EXPENSE

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

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>Current tax</b>		
Hong Kong		
– Current year	2,702	2,801
– Under provision in prior year	–	13
	<b>2,702</b>	2,814
Macau		
– Current year	–	571
<b>Deferred tax</b>	<b>227</b>	93
<b>Income tax expense</b>	<b>2,929</b>	3,478

## 6 EARNINGS PER SHARE

The calculation of the basic earnings per share of the year ended 31 December 2016 is based on the profit for the year of approximately HK\$3,560,000 (2015: approximately HK\$14,197,000) and the weighted average number of ordinary shares in issue during the year ended 31 December 2016 of approximately 511,803,000 (2015: 504,000,000) on the assumption that the Reorganisation and the Capitalisation Issue as defined in note 1 and 10 respectively, had been completed on 1 January 2015. No diluted earnings per share is presented for both years as there was no potential ordinary share outstanding.

**7 DIVIDENDS**

	<b>2016</b> <b>HK\$'000</b>	2015 <b>HK\$'000</b>
Interim dividend	<b>8,900</b>	<b>2,800</b>

During the year ended 31 December 2016, the Company declared interim dividends of HK\$8,900,000 to the then shareholders of the Company. Interim dividends of approximately HK\$1,400,000 was settled by cash and the remaining balance of approximately HK\$7,500,000 was settled by offset against the amounts due from directors.

During the year ended 31 December 2015, dividends of HK\$2,800,000 were paid by Kingland Concrete to their then equity holders prior to the Reorganisation. Such interim dividend has been settled by current accounts with the directors.

No final dividend was proposed by the Board for the year ended 31 December 2016 (2015: Nil).

**8 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK**

	<b>2016</b> <b>HK\$'000</b>	2015 <b>HK\$'000</b>
<b>Amounts due from customers for contract work</b>		
Contract costs incurred plus recognised profits less recognised losses	96,798	95,341
Less: Progress billings received and receivables	<u>(86,833)</u>	<u>(91,773)</u>
	<b>9,965</b>	<b>3,568</b>
<b>Amounts due to customers for contract work</b>		
Progress billings received and receivables	3,940	4,636
Less: Contract costs incurred plus recognised profits less recognised losses	<u>(3,728)</u>	<u>(4,462)</u>
	<b>212</b>	<b>174</b>

**9 TRADE AND OTHER RECEIVABLES**

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Contract receivables	22,779	19,240
Retention receivables	15,792	9,971
 Total trade receivables	 38,571	 29,211
Other receivables, deposits and prepayments	3,644	3,497
 	 <b>42,215</b>	 <b>32,708</b>

*Notes:*

- (a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The credit period granted to customers is ranged from 14 to 60 days. Trade receivables are mainly usual denominated in HK\$.
- (b) The ageing analysis of the contract receivables based on invoice date is as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
0–30 days	13,515	4,202
31–60 days	6,400	4,852
61–90 days	720	2,460
91–365 days	1,757	7,350
Over 365 days	387	376
 	 <b>22,779</b>	 19,240

Contract receivables of approximately HK\$9,594,000 (2015: HK\$15,013,000) as at 31 December 2016 were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
0–30 days	6,570	3,585
31–60 days	681	3,471
61–90 days	370	4,789
91–365 days	1,580	2,806
Over 365 days	393	362
 	 <b>9,594</b>	 15,013

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

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

## 10 SHARE CAPITAL

	<i>Note</i>	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
On 5 January 2015 (date of incorporation)	<i>b</i>	<b>38,000,000</b>	<b>380</b>
Increase in authorised share capital	<i>c</i>	<b>962,000,000</b>	<b>9,620</b>
As at 31 December 2016		<b>1,000,000,000</b>	<b>10,000</b>
Issued and fully paid:			
On 5 January 2015 (date of incorporation)	<i>b</i>	<b>2</b>	<b>–</b>
Shares issued upon Reorganisation	<i>d</i>	<b>998</b>	<b>–</b>
Shares issued pursuant to the capitalisation issue	<i>e</i>	<b>503,999,000</b>	<b>5,040</b>
Shares issued pursuant to the placing	<i>f</i>	<b>168,000,000</b>	<b>1,680</b>
At 31 December 2016		<b>672,000,000</b>	<b>6,720</b>

### Notes:

- (a) The balance of share capital at 31 December 2015 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the Reorganisation.
- (b) Upon incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. One share was allotted and issued nil-paid to the subscriber on 5 January 2015, which was then transferred to Sino Continent Holdings Limited (“Sino Continent”) on the same date. On the same day, one nil-paid share was also allotted and issued to Supreme Voyage Limited (“Supreme Voyage”).
- (c) On 22 November 2016, the then shareholders resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$10,000,000 by the creation of an additional 962,000,000 shares, each ranking pari passu with the shares then in issue in all respects.
- (d) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Platinum Faith from Mr. Cheung, Mr. Chan and Applewood Developments Limited (“Applewood Developments”), respectively, on 22 November 2016, (i) the one nil-paid share held by each of Sino Continent and Supreme Voyage was credited as fully paid; and (ii) 374, 374 and 250 new shares were issued and allotted to Sino Continent, Supreme Voyage and Applewood Developments, all credited as fully paid, respectively.

- (e) Pursuant to the written resolutions of the shareholders of the Company passed on 22 November 2016, the Company issued and allotted a total of 503,999,000 ordinary shares of the Company credited as fully paid to the then shareholders of the Company's shares on the register of members at the close of business on 22 November 2016 by way of capitalisation ("Capitalisation Issue") of the sum of HK\$5,039,990 standing to the credit of the share premium account of the Company.
- (f) On 15 December 2016, 168,000,000 ordinary shares of HK\$0.01 each were issued to the public at a price of HK\$0.36 per share for cash totalling HK\$60,480,000 by way of placing. The excess of issue price over the par value of the shares, net of issuance costs of approximately HK\$9,102,000, were credited to the share premium account of the Company.

## 11 TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables	<b>15,617</b>	10,006
Accruals and other payables	<b>10,751</b>	8,427
	<b>26,368</b>	<b>18,433</b>

Notes:

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

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

	2016 HK\$'000	2015 HK\$'000
0 – 30 days	<b>4,546</b>	3,461
31 – 60 days	<b>4,436</b>	2,192
61 – 90 days	<b>2,981</b>	1,944
Over 90 days	<b>3,654</b>	2,409
	<b>15,617</b>	<b>10,006</b>

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND OUTLOOK**

The Group's principal activity is the provision of concrete demolition service in Hong Kong and Macau mainly as a subcontractor. Our services are mainly required in the removal of pieces or sections of concrete from concrete structures and the demolition of the entire concrete structures or buildings by applying a variety of methods, such as core drilling, sawing and crushing. Our services are required in many different situations including, among others, addition and alteration works and redevelopment projects in buildings, roads, tunnels and underground facilities.

We have been operating in the concrete demolition industry in Hong Kong since 1985. We have also been providing concrete demolition services in Macau since 2006. We are a registered subcontractor for general demolition and others (concrete coring and saw cutting) works under the Subcontractor Registration Scheme of the Construction Industry Council and a Registered Minor Works Contractor at the Buildings Department. We undertook 150 jobs in Hong Kong and Macau for the year ended 31 December 2016 (the "Financial Year 2016") and had 15 on-going jobs (either in progress or yet to be commenced) with outstanding contract sum over HK\$60 million as at 31 December 2016.

In general, our customers are main contractors in various types of construction and civil engineering projects in Hong Kong and construction projects in Macau. We undertake jobs in both public and private sectors. Public sector jobs refer to jobs which the main contractors are employed by the Hong Kong Government, the Macau Government or their respective related organisations or corporations, while private sector jobs refer to jobs that are not public sector jobs.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the policies of the Hong Kong Government as well as factors affecting the labour costs and material costs. According to the 2016-2017 Budget of the Hong Kong Government, the Hong Kong Government will invest about HK\$86.1 billion on infrastructure between 2016 and 2017. The amount was mainly derived from infrastructure investments and plans for increasing both land and housing. The Directors believe that the availability of private and public sector construction projects is expected to grow in the coming years, and with our experienced management team and reputation in the market, we can further strengthen our position as an established concrete demolition service provider by continuing to pursue the business strategies as set out in the Prospectus.

## **FINANCIAL REVIEW**

During the Financial Year 2016, there were 150 jobs for our Group's concrete demolition business which contributed a revenue of HK\$125.7 million, whereas a revenue of HK\$120.1 million was recognised from 232 jobs in the year ended 31 December 2015 (the "Financial Year 2015"). Although the number of jobs undertaken in the Financial Year 2016 is less than that in the Financial Year 2015, we have recorded an increase in our revenue of approximately 4.7% mainly due to the increase in sizeable jobs in the Financial Year 2016.

Our Group's gross profit slightly increased from approximately HK\$38.1 million for the Financial Year 2015 to approximately HK\$38.3 million for the Financial Year 2016, while the gross profit margin for our Group decreased from approximately 31.7% for the Financial Year 2015 to approximately 30.5% for the Financial Year 2016. Such decrease was mainly due to the increase of the Group's cost of sales during the Financial Year 2016, such as staff costs and materials and consumables.

Administrative expenses increased by HK\$12.5 million (representing an increase of approximately 62.7%) to HK\$32.5 for the Financial Year 2016, compared with HK\$20.0 million for the Financial Year 2015, which mainly due to the listing expenses of HK\$12.2 million incurred in the Financial Year 2016 which were non-recurring expenses incurred by activities outside the ordinary and usual course of our business. Net profit decreased by HK\$10.6 million to approximately HK\$3.6 million in the Financial Year 2016 compared to HK\$14.2 million in the Financial Year 2015. By excluding the aforementioned non-recurring listing expenses, the Group's profits attributable to owners of the Company would be approximately HK\$15.8 million for the Financial Year 2016.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2016, the Group's current ratio was approximately 3.3 compared to approximately 2.3 at 31 December 2015. The Group had total assets of approximately HK\$123.6 million, which is financed by total liabilities and shareholders' equity of approximately HK\$37.3 million and HK\$86.3 million, respectively. As at 31 December 2016, the Group had cash and bank balances of approximately HK\$60.8 million (31 December 2015: approximately HK\$20.0 million).

The gearing ratio is calculated based on the total loans and borrowings divided by total equity as at the respective reporting date. As at 31 December 2016, the Group recorded gearing ratio of approximately 4.6% (31 December 2015: approximately 9.4%), which remained low as the Group had adequate bank balances and cash after the Listing.

### **Capital Expenditure**

During the Financial Year 2016, there was capital expenditure of approximately HK\$7.0 million which was used in the purchase of property, plant and equipment, compared to HK\$2.9 million for the Financial Year 2015.

The Group adopts a prudent approach in capital management towards its treasury policies. 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.

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 16 December 2016. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares. As at 31 December 2016, the Company's issued share capital was HK\$6,720,000 and the number of its issued ordinary shares was 672,000,000 of HK\$0.01 each.

The capital structure of the Group consisted of equity of HK\$86.3 million and debts of HK\$4.0 million as at 31 December 2016.

### **Foreign Exchange Exposure**

Since the Group generated most of the revenue and incurred most of the costs in Hong Kong dollars for the Financial Year 2016, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign currency risk.

### **EMPLOYEES AND REMUNERATION POLICY**

The Group had over 100 full-time employees as at 31 December 2016 (31 December 2015: 99 full-time employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$35.7 million for the Financial Year 2016 as compared to HK\$27.5 million for the Financial Year 2015.

Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wage rates are usually subjected to an annual review that are based on performance appraisals and other relevant factors. The Group strongly encourages internal promotion and a variety of job opportunities is offered to the existing staff when it is best suited. Remuneration package is comprised of salary, a performance-based bonus, and other benefits including training and provident funds.

### **COMMITMENTS**

The contractual commitments of the Group were primarily related to the leases of its office premises and the Director's quarter. The Group's operating lease commitments amounted to approximately HK\$5.2 million as at 31 December 2016 (31 December 2015: approximately HK\$3.5 million). As at 31 December 2016, capital commitment was approximately HK\$70,000, which was used in the purchase of property, plant and equipment (31 December 2015: HK\$0.7 million).

## **CONTINGENT LIABILITIES**

As at 31 December 2016, there was no significant contingent liabilities for the Group.

## **CHARGE OVER OUR GROUP'S ASSETS**

As at 31 December 2016, the finance lease liabilities amounted to approximately HK\$4.0 million (31 December 2015: approximately HK\$3.8 million) were secured by the Group's motor vehicles with aggregate net book value of approximately HK\$5.7 million (31 December 2015: HK\$4.0 million) and the personal guarantees given by the Controlling Shareholders. Such financial lease liabilities and guarantees have released subsequent to the year end date (31 December 2016).

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

Save as the corporate reorganisation as disclosed in the section headed "History and Reorganisation" of the Prospectus, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the Financial Year 2016.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in the Prospectus and in this announcement, the Group did not have other plans for material investments or capital assets as of 31 December 2016.

## **USE OF PROCEEDS AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS**

The net proceeds from the Listing on 16 December 2016 (the "Listing Date") was approximately HK\$33.1 million, after deducting listing related expenses. As the Listing Date is close to our year end date (31 December 2016), the Company is in its preliminary stage of implementing its business objectives and strategies as disclosed in the Prospectus. The Group will strive to achieve the milestone events as stated in the Prospectus.

The actual net proceeds from the Listing was different from the estimated net proceeds of approximately HK\$25.0 million as set out in the Prospectus and approximately HK\$34.1 million as set out in the announcement of the Company in relation to the allotment result dated 14 December 2016 (the "Allotment Result Announcement").

The Group adjusted the use of proceeds in the same manner and in the same proportion as shown in the Allotment Result Announcement, which is (i) approximately 29.2% of the net proceeds, representing approximately HK\$9.7 million for further enhancing our machineries, (ii) approximately 29.7% of the net proceeds, representing approximately HK\$9.8 million for further strengthening our manpower, (iii) approximately 6.3% of the net proceeds, representing approximately HK\$2.1 million for leasing an

additional warehouse, (iv) approximately 22.5% of the net proceeds, representing approximately HK\$7.4 million for reserving more capital to satisfy our potential customers' requirements for performance bond, (v) approximately 10.6% of the net proceeds, representing HK\$3.5 million for settlement of finance lease liabilities, and (vi) approximately 1.7% of the net proceeds, representing HK\$0.6 million for working capital.

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

The Shares have been listed on the GEM of the Stock Exchange since 16 December 2016. Save as the Listing, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

## **AUDIT COMMITTEE**

The Company has established an audit committee with the written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules. The Group's consolidated financial statements for the Financial Year 2016 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the Financial Year 2016 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

## **CORPORATE GOVERNANCE PRACTICE**

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code from Listing Date up to 31 December 2016 except the following deviation:

Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cheung is the Chairman and the chief executive officer of our Company. In view that Mr. Cheung has been operating and managing our Group since our establishment, our Board believes that it is in the best interest of our Group to have Mr. Cheung taking up both roles for effective management and business development. In addition, major decisions are made after consultation with the Board and appropriate Board committees, as well as senior management. The Board is therefore of the view that there are adequate safeguards in place to ensure the balance of power and authority within the Company.

## **COMPETING INTERESTS**

The Directors are not aware of any business or interest of the Directors nor the Controlling Shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group since the Listing Date and up to 31 December 2016.

## **NON-COMPETITION UNDERTAKING**

Each of the Controlling Shareholders has made an annual declaration to the Company that since the Listing Date and up to 31 December 2016, he/it has complied with the terms of non-competition undertakings (“Non-Competition Undertakings”) given in favour of the Company. The independent non-executive Directors (“INEDs”) have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the INEDs can ascertain, there is no breach of any of such undertakings.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the shares of the Company (the “Code of Conduct”). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct since the Listing Date and up to 31 December 2016.

## **SHARE OPTION SCHEME**

The Company has adopted a share option scheme on 22 November 2016 (the “Share Option Scheme”). The principal terms of the Share Option Scheme is summarised in Appendix IV to the Prospectus and are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 December 2016.

## **FINAL DIVIDENDS**

The Board did not recommend payment of final dividend to shareholders of the Company for the Financial Year 2016.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the GEM website at [www.hkgem.com](http://www.hkgem.com) and the Company's website at [www.singon.com.hk](http://www.singon.com.hk). The annual report of the Company for the Financial Year 2016 will be dispatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board

**Sing On Holdings Limited**

**CHEUNG Shek On**

*Chairman and executive Director*

Hong Kong, 22 March 2017

*As at the date of this announcement, the executive directors are Mr. Cheung Shek On and Mr. Chan Yuk Sing; the non-executive director is Mr. Kuan Hong Kin Daniel and the independent non-executive directors are Mr. Chan Ngai Sang Kenny, Mr. Chow Chun To and Mr. Yam Chiu Fan Joseph.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company at [www.singon.com.hk](http://www.singon.com.hk).*