

# Lap Kei Engineering (Holdings) Limited 立基工程 (控股) 有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 8369



**ANNUAL 2015 REPORT**

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*This report, for which the directors (the “**Directors**”) of Lap Kei Engineering (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 report 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 report misleading.*

# Contents

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Biographical Details of Directors and Senior Management	13
Corporate Governance Report	17
Report of Directors	27
Independent Auditor's Report	36
Consolidated Statement of Profit or Loss and Other Comprehensive Income	38
Consolidated Statement of Financial Position	39
Consolidated Statement of Changes in Equity	40
Consolidated Statement of Cash Flows	41
Notes to the Consolidated Financial Statements	43
Financial Summary	81

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors:

Mr. Wong Kang Kwong  
Ms. So Nui Ho

#### Independent non-executive Directors:

Mr. Chung Yuk Ming, Christopher  
Mr. Fok Ka Chi  
Mr. Tam Chun Chung

### AUDIT COMMITTEE

Mr. Tam Chun Chung (*Chairman*)  
Mr. Chung Yuk Ming, Christopher  
Mr. Fok Ka Chi

### REMUNERATION COMMITTEE

Mr. Fok Ka Chi (*Chairman*)  
Mr. Chung Yuk Ming, Christopher  
Mr. Tam Chun Chung

### NOMINATION COMMITTEE

Mr. Chung Yuk Ming, Christopher (*Chairman*)  
Mr. Fok Ka Chi  
Mr. Tam Chun Chung

### COMPANY SECRETARY

Mr. Cheng Chin Wing (*Certified Public Accountants*)

### AUTHORISED REPRESENTATIVES

Mr. Wong Kang Kwong  
Mr. Cheng Chin Wing (*Certified Public Accountants*)

### INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

### COMPLIANCE ADVISER

Messis Capital Limited

### LEGAL ADVISER

*As to Hong Kong Law*  
ONC Lawyers  
*Solicitors, Hong Kong*

### REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 6, 6/F, Block B  
Tonic Industrial Centre  
19 Lam Hing Street  
Kowloon Bay  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
Grand Cayman  
KY1-1111  
Cayman Islands

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

### PRINCIPAL BANKERS

Shanghai Commercial Bank Limited  
Shops G1-2, G/F.  
Metro City Plaza III  
The Metropolis  
8 Mau Yip Road,  
Tseung Kwan O  
New Territories  
Hong Kong

### COMPANY WEBSITE

[www.lapkeieng.com](http://www.lapkeieng.com)  
(information of this website does not form part of this report)

### STOCK CODE

08369

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Lap Kei Engineering (Holdings) 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 25 September 2015 (the "**Listing Date**").

## A NOTE OF APPRECIATION

The Company was successfully listed on GEM on 25 September 2015. On behalf of the Group, I would like to express our deepest gratitude to all parties who have assisted us in building our business over the years and during the preparation process of the Listing.

## REVIEW

For the year ended 31 December 2015 (the "**Year**"), the Group achieved an increase in turnover of approximately HK\$52.3 million or 38.6% to approximately HK\$187.8 million compared with the year ended 31 December 2014. Such growth was mainly attributable to the favourable condition of the market condition of the construction industry in Hong Kong during the Year.

Although the Group's profits attributable to shareholders decreased from approximately HK\$24.3 million for the year ended 31 December 2014 to approximately HK\$14.5 million for the year ended 31 December 2015, the decrease in profits attributable to shareholders was mainly due to the one-off listing expenses of approximately HK\$10.1 million (2014: Nil) incurred during the year ended 31 December 2015. Excluding this non-recurring expenses, the Group's profits would have been approximately HK\$24.6 million (2014: approximately HK\$24.3 million).

## FORWARD

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

I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, subcontractors and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

**Lap Kei Engineering (Holdings) Limited**

**Wong Kang Kwong**

*Chairman and Executive Director*

Hong Kong, 23 March 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of engineering services for building services systems in Hong Kong. The Group undertakes building services engineering works which are mainly related to the supply, installation and maintenance of (i) mechanical ventilation and air-conditioning (“**MVAC**”) system; (ii) electrical system; (iii) plumbing and drainage system; and (iv) fire services system.

The contracts the Group entered into with its customers are categorised into two types, namely (i) building services engineering projects for existing building and new building (the “**building services engineering projects**”); and (ii) maintenance, repair and other services (the “**maintenance projects**”) which mainly include provision of maintenance and repair services for building services system and replacement of parts.

For building services engineering projects, the Group is required to complete the engineering works in relation to the installation and/or upgrade of building services systems as set out in the scope of work under the contract. For maintenance projects, the Group is required to provide maintenance services for existing building services systems of a property or portfolio of properties over a fixed contract period. Such maintenance services include regular check and maintenance, and emergency call-out service for emergency repair.

Looking forward, the Directors consider that the future opportunities and challenges which the Group faces will be affected by the development of the property market in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong is the key driver for the growth of the Hong Kong building services industry.

With the Group’s experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the following key business strategies: (i) further developing our building services engineering business by making use of additional financial resources available from the Listing which allows the Group to undertake more projects of larger scale that require the provision of surety bond; (ii) further expanding our service scope by application for additional licences, permits or qualifications which may be required and (iii) further strengthening the Group’s engineering department through recruiting additional qualified and experienced staff.

## FINANCIAL REVIEW

### Revenue

Our revenue increased from approximately HK\$135.5 million for the year ended 31 December 2014 to approximately HK\$187.8 million for the year ended 31 December 2015, representing a growth of approximately 38.6%. Such increase was mainly due to the increase in both building services engineering projects and the maintenance projects provided by the Group as a result of the overall development in the construction industry in Hong Kong and the increase in number of contracting projects undertaken by the Group during the Year.

### Cost of Sales

Our cost of sales increased from approximately HK\$98.9 million for the year ended 31 December 2014 to approximately HK\$149.9 million for the year ended 31 December 2015, representing an increase of approximately 51.6%. Such increase was mainly attributable to the increase in our subcontracting charges with the increase in the number of contracting projects undertaken by the Group during the Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross Profit

Gross profit of the Group increased by approximately 3.5% from approximately HK\$36.6 million for the year ended 31 December 2014 to approximately HK\$37.9 million for the year ended 31 December 2015. The increase was mainly driven by the increase in revenue for the year ended 31 December 2015 as discussed above.

The overall gross profit margin dropped from approximately 27.0% for the year ended 31 December 2014 to approximately 20.2% for the year ended 31 December 2015 as the extent of increase in subcontracting charges and direct labour costs is greater than that of increase in revenue for the year ended 31 December 2015.

## Listing Expenses

During the year ended 31 December 2015, the Group recognized non-recurring listing expenses of approximately HK\$10.1 million (2014: Nil) as expenses in connection with the Listing.

## Administrative Expenses

Administrative expenses of the Group increased by approximately 124.7% from approximately HK\$7.7 million for the year ended 31 December 2014 to approximately HK\$17.4 million for the year ended 31 December 2015. Administrative expenses primarily consist of rental expenses and staff costs. The increase was attributable to the increase in rental expenses, staff salary, and bonus due to business expansion during the Year.

## Income Tax Expense

Income tax expense for the Group decreased by approximately 8.7% from approximately HK\$4.8 million for the year ended 31 December 2014 to approximately HK\$4.4 million for the year ended 31 December 2015. The decrease was mainly due to the decrease in profit before tax, excluding the effect of non-deductible expenses, e.g. the listing expenses and non-chargeable other income items.

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

Profit and total comprehensive income for the Year decreased by approximately 40.2% from approximately HK\$24.3 million for the year ended 31 December 2014 to approximately HK\$14.5 million for the year ended 31 December 2015. Such decrease was primarily attributable to the net effect of (i) the listing expenses incurred by the Group for the Listing during the year ended 31 December 2015; and (ii) the increase in revenue and gross profit for the year ended 31 December 2015. Excluding the one-off exceptional expenses for the Listing of the Group of approximately HK\$10.1 million (2014: Nil), profit and total comprehensive income for the year ended 31 December 2015 would reach approximately HK\$24.6 million (2014: approximately HK\$24.3 million), representing an increase of approximately 1.3% compared to the corresponding period ended 31 December 2014.



# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had total assets of approximately HK\$140.9 million (2014: approximately HK\$118.7 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$58.4 million (2014: approximately HK\$61.3 million) and approximately HK\$82.5 million (2014: approximately HK\$57.3 million), respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 31 December 2015 were approximately HK\$8.9 million (31 December 2014: approximately 8.1 million), and current ratio as at 31 December 2015 was approximately 2.4 times (31 December 2014: approximately 1.8 times).

The Group's borrowings and bank balances are denominated in Hong Kong Dollars and there was no significant exposure to foreign exchange rate fluctuations during the Year.

For further details regarding the borrowings, please refer to note 20 to the consolidated financial statements.

## GEARING RATIO

The gearing ratio of the Group as at 31 December 2015 was approximately 10.8% (31 December 2014: approximately 14.2%), which remained low as the Group was not in need of any material debt financing during the Year.

The gearing ratio is calculated based on the total loans and borrowings (interest-bearing bank borrowings and bank overdrafts) divided by total equity as at the respective reporting date.

## 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 December 2015, the Group pledged its bank deposits to a bank of approximately HK\$18.0 million as collateral to secure bank facilities granted to the Group.

As at 31 December 2014, the Group pledged its (i) property, plant and equipment and (ii) deposit paid for a life insurance policy with an aggregate net book value of approximately HK\$5.5 million as collateral to secure bank facilities granted to the Group.

Details of the above pledge of assets are set out in note 27 to the consolidated financial statements.

Save for the above disclosed, the Group did not have any charges on its assets.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations and borrowings of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. For the year ended 31 December 2015, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

## CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM Board of the Stock Exchange on 25 September 2015. 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 2015, the Company's issued share capital was HK\$12,800,000 and the number of its issued ordinary shares was 1,280,000,000 of HK\$0.01 each.

## 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\$1.9 million as at 31 December 2015 (31 December 2014: Nil). As at 31 December 2015, the Group did not have any capital commitment.

## SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on note 5 to the consolidated financial statements.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 18 September 2015 (the "Prospectus") and in this report, the Group did not have other plans for material investments or capital assets as of 31 December 2015.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the financial year ended 31 December 2015, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures saved for those related to the Corporate Reorganisation (as defined under note 1 to the consolidated financial statements).

## CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any material contingent liabilities (31 December 2014: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group employed a total of 100 employees (31 December 2014: 100 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$40.7 million for the year ended 31 December 2015 (2014: approximately HK\$26.6 million).

The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual contribution.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries, the Group did not hold any significant investments during the year ended 31 December 2015.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposures are summarized as follows:

- (i) The Group's past revenue and profit margin may not be indicative of the Group's future revenue and profit margin, in particular, the Group's revenue is derived substantially from building services engineering projects, which are non-recurrent in nature, and the Group may achieve lower-than expected revenue if it fails to maintain continuity of the Group's order book for its new projects;
- (ii) The Group is dependent on its senior management and in-house engineers, inability to retain its staff may adversely affect the Group's business operations;
- (iii) Loss of authorised signatory and technical director for the Group's registrations maintained with the Buildings Department could materially and adversely affect the Group's business;
- (iv) Failure to accurately estimate and control the costs of the Group's projects may adversely affect the Group's financial performance;
- (v) The Group may not be able to maintain or increase its success rate of attaining engagement of projects tendered and quoted;
- (vi) Any delays in the Group's projects may affect the Group's cash flows and may have adverse impact on the Group's business and reputation;
- (vii) Failure to renew the Group's current registrations and licences may adversely affect the Group's business operations; and
- (viii) The Group is exposed to environmental liability.

For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the Prospectus.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control, water pollution control and waste disposal control.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group has established measures and work procedures governing environmental protection compliance that are required to be followed by its employees and subcontractors. Such measures and procedures include, among others:

Area	Measures
Air pollution control	(i) Erection of hoarding along the site boundary with effective dust screens, sheeting or netting if necessary (ii) Watering whenever necessary for any dusty materials before loading and unloading
Noise control	(i) Idle equipment to be turned off as soon as possible (ii) Installation of noise barriers or enclosures if appropriate (iii) The permitted hours for operation at project site is from 7:00 a.m. to 7:00 p.m. Monday to Saturday. Works are not permitted on general public holidays
Water pollution control	(i) Identification of wastewater discharge points before commencement of works
Waste disposal control	(i) Labeled bins to be provided to allow segregation of recyclable materials whenever possible (ii) Construction waste materials to be segregated into different categories such as reusable construction and demolition materials for re-use on site, and other waste for transportation to landfills

During the year ended 31 December 2015, the Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against the Group.

### COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during the Year.

### RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

#### Customers

The Group's customers mainly include main contractors who contract all or part of the engineering works for building services systems to other subcontractors, such as the Group, and landlords or occasionally property developers (or its consultants). During the Year, the Group solely served customers from the private sector in Hong Kong. During the Year, the Directors consider that the Group is not reliant on any single customer. The Group has had business relationship with most of the top customers ranging from one year to over 10 years which the Directors believe implying that the Group is one of the selected subcontractors on such customers' approved lists of subcontractors and the Group being invited to tender or quote from time to time.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Suppliers and Subcontractors

During the Year, the suppliers of goods and services which were specific to the business of the Group and were required on a regular basis to enable the Group to continue to carry on its business included (i) subcontractors engaged by the group to perform the site works; (ii) material and equipment suppliers to supply materials and equipment used in the site work; and (iii) suppliers of other miscellaneous goods and services required for the Group's business operations.

The Group maintains an internal list of approved subcontractors, for each categories of building services engineering where the list is updated on a continuous basis. While engaging subcontractors, the Group generally selects the most suitable subcontractor from the approved list based on their relevant skill sets and experience, subject to their availability and fee quotations.

The Group generally maintains multiple suppliers and subcontractors for products and services to avoid over-reliance on a few suppliers and subcontractors and did not experience any material difficulties in sourcing materials from suppliers or assigning subcontractors during the Year. The Group did not have any significant disputes with any of its top five suppliers and subcontractors during the Year.

## Employees

The Group recognises employees as valuable assets of the Group and during the Year, the Group has complied with the applicable labour laws and regulations and regularly reviewed the existing staff benefits for improvement. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing an attractive remuneration package. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary raises, bonuses and promotions based on the performance of each employee.

The Directors consider that the Group has maintained good relationship with its employees. The Group has not experienced any strikes, work stoppages or labour disputes which affected its operations during the Year. The Directors also consider that the relationship and co-operation between the management team and the employees have been good during the Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 December 2015 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 31 December 2015 as stated in the Prospectus	Actual business progress up to 31 December 2015
Further development of the Group's building services engineering business	Undertake more projects for the building services engineering business should the Group be able to identify and secure suitable business opportunities by earmarking HK\$10.5 million for satisfying potential customers' requirements for surety bonds	The Group is in the progress of identifying suitable business opportunities with potential customers and the Group has also committed to undertake new construction projects. A deposit of HK\$18.0 million was required and has been paid during the Year (which was financed as to approximately HK\$10.5 million by the proceeds from the Listing and as to the remaining approximately HK\$7.5 million by the Group's internal resources)
Further expansion of service scope	Recruit two staff with relevant experience to prepare relevant submission documents to the Works Branch of Development Bureau for the registration of approved contractor on the air-conditioning installation category (Group II) of the Specialist List in order to broaden the Group's business opportunities, and HK\$4.1 million is earmarked for increasing the paid-up share capital of Lap Kei Engineering Company Limited, an indirect wholly-owned subsidiary of the Company, from HK\$600,000 to a minimum of HK\$4.7 million, as one of the requirements for the application of approved contractor on the air-conditioning installation category (Group II) of the Specialist List	The Group is in the progress of recruiting more experienced and high caliber engineering staff.
Further strengthening the Group's engineering department	Sponsor the engineering staff to attend technical seminars and occupational health and safety courses organised by third parties	The Group has sponsored our engineering staff to attend technical seminars and occupational health and safety courses organised by third parties.

# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF PROCEEDS

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK\$31.6 million. After the Listing, a part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

An analysis of the utilisation of the net proceeds from the Listing and the unused amount as at 31 December 2015 is set out below:

	Planned use of net proceeds as stated in the Prospectus up to 31 December 2015 HK\$'000	Actual use of net proceeds up to 31 December 2015 HK\$'000
Further development of the Group's building services engineering business	10,500	10,500
Further expansion of service scope	4,500	nil
Further strengthening the Group's engineering department	200	23

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.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. WONG Kang Kwong (黃鏡光)**, aged 50, is the co-founder of the Group and one of the controlling shareholders of the Company. Mr. Wong was appointed as a Director of the Company on 29 April 2015 and was re-designated as an executive Director of the Company on 10 September 2015. He also serves as the chairman of the Board. He is primarily responsible for the overall business development, management and operation of the Group. Mr. Wong is also a director of Lap Kei Engineering Company Limited ("**Lap Kei**"). He is the spouse of Ms. So.

Mr. Wong has over 26 years of experience in building services engineering industry. He completed the course of cold storage and air-conditioning and the course of application design for air-conditioning and ventilation in the Hong Kong Institute of Air-conditioning in September 1983 and September 1990 respectively. In 1988, Mr. Wong established Lap Ki Engineering Works, a sole proprietorship established in Hong Kong, which is principally engaged in air-conditioning installation and repairing.

In December 1997, Mr. Wong founded Lap Kei with Ms. So and he has been handling the Group's business operation since then.

**Ms. SO Nui Ho (蘇女好)**, aged 45, is the co-founder of the Group and one of the controlling shareholders of the Company. Ms. So was appointed as a Director of the Company on 19 May 2015 and was redesignated as an executive Director of the Company on 10 September 2015. She is primarily responsible for the overall management of the Group's financial and administrative matters. Ms. So is also a director of Lap Kei and Wealth E & M Limited ("**Wealth E & M**"). She is the spouse of Mr. Wong.

Ms. So completed her secondary education and participated in the Hong Kong Certificate of Education Examination in 1988. She obtained a business studies diploma from Hong Kong School of Commerce in June 1989. Ms. So completed a one-year part-time evening post-secondary 5 course at Kwai Chung Technical Institute and was awarded a certificate in higher accounting in July 1991. She was awarded a certificate for passing accounting (third level) examination from the London Chamber of Commerce and Industry Examinations Board in 1992.

Ms. So has more than 20 years of experience in accounting, financing and administration. Prior to joining the Group, she served in the finance and administration department of an insurance company in Hong Kong from August 1993 to December 1996 and her last position held was an assistant supervisor. In December 1997, Ms. So founded Lap Kei with Mr. Wong and she has been handling the Group's financial and administrative matters since then.



# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. CHUNG Yuk Ming, Christopher (鍾育明)**, aged 42, was appointed as an independent non-executive Director of the Company on 10 September 2015. He is currently working as a project director in FDB Holdings Limited (stock Code: 8248), a company that provides construction-related consulting services in Hong Kong.

Mr. Chung has over 19 years of experience in developer and contractor role in the real estate and construction industry. He obtained a bachelor's degree of science in building surveying from City University of Hong Kong in November 1995, a master's degree of science in urban planning from the University of Hong Kong in December 1999, and a bachelor's degree of laws from the Manchester Metropolitan University, the United Kingdom, (a long distance learning course) in July 2006. Mr. Chung has been a member of the Royal Town Planning Institute since January 2009 and a member of Hong Kong Institute of Construction Managers since August 2005.

Mr. Chung joined Fruit Design & Build Limited in September 2014. He worked in China International Fund Limited from April 2007 to August 2010 and from October 2012 to March 2014, Right Year Investment Limited from September 2010 to August 2012 and Penta Ocean Construction Co., Ltd. from August 1995 to July 2005 with the last position being held as construction manager.

**Mr. FOK Ka Chi (霍嘉誌)**, aged 34, was appointed as an independent non-executive Director of the Company on 10 September 2015. He is currently practicing as a barrister-at-law in Hong Kong and is also a member of the Hong Kong Bar Association.

Mr. Fok has experience in the area of commercial and property litigations. He obtained a bachelor's degree of laws (LLB) and a postgraduate certificate in laws (PCLL) from the City University of Hong Kong in November 2006 and July 2007 respectively. Mr. Fok was admitted as a Barrister in Hong Kong in 2008. He was an independent non-executive director of AID Partners Capital Holdings Limited (formerly known as Crosby Capital Limited) (stock code: 8088) from May 2013 to September 2013.

**Mr. TAM Chun Chung (譚振忠)**, aged 43, was appointed as an independent non-executive Director of the Company on 10 September 2015. He has been the joint company secretary of China Railway Group Limited (stock code: 390) since November 2007 and an independent non-executive director of Huiyin Household Appliances (Holdings) Co., Ltd. (stock code: 1280) since March 2010.

Mr. Tam has more than 20 years of experience in the fields of accounting, auditing and compliance matters of listed companies in Hong Kong. He obtained a bachelor's degree of business administration from the Chinese University of Hong Kong in December 1994 and an Executive Master of Business Administration from the Chinese University of Hong Kong in November 2015. Mr. Tam was admitted as a member of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) in December 1997 and a fellow of the Association of Chartered Certified Accountants since November 2002.

Prior to joining China Railway Group Limited (stock code: 390), Mr. Tam served as a qualified accountant and joint company secretary of Jilin Qifeng Chemical Fiber Co., Ltd. (stock code: 549) from September 2005 to November 2007. During January 2000 to May 2005, he worked in the finance department in China Motion Telecom International Limited (currently known as Ground Properties Company Limited and was then listed on the Stock Exchange (stock code: 989)) as an assistant manager, and was subsequently promoted to the position as a senior manager. Mr. Tam worked for KPMG from September 1994 to January 2000 and his last position held was an assistant manager.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

The following are the senior management team of our Group:

**Mr. LAU Kai Sum (劉啟森)**, aged 59, is a senior project manager of the Group. He joined the Group on 2 October 2010 and he is primarily responsible for the overall management of site works, quality control and work safety supervision regarding to the building services projects of the Group.

Mr. Lau has over 34 years of experience in the building services industry. He obtained a higher certificate in mechanical engineering from the Hong Kong Polytechnic (currently known as the Polytechnic University) in November 1986. Prior to joining the Group, Mr. Lau worked in several engineering companies and was involved in numerous building services projects. Immediately before joining the Group, Mr. Lau was the chief engineer at Shinryo (Hong Kong) Limited from December 2009 to September 2010 where he was responsible for planning, organising, supervising, controlling and coordinating building services installation activities.

**Mr. LEE Man Kei (李文基)**, aged 37, is a project manager of the Group. He joined the Group on 14 October 2004 and he is primarily responsible for the overall management of site works, quality control and work safety supervision regarding to the building services projects of the Group.

Mr. Lee has over 10 years of experience in the building services industry. He obtained a higher diploma in building services engineering from the Hong Kong Institute of Vocational Education in July 2002. Mr. Lee also obtained a bachelor's degree of engineering in building services engineering and a master of science in fire and safety engineering from the Hong Kong Polytechnic University in October 2008 and October 2011 respectively. Mr. Lee first joined the Group as an assistant engineer and was subsequently promoted to the position as an engineer, a senior engineer, an assistant project manager and his current position as a project manager.

**Mr. CHAN Chi Sing (陳志成)**, aged 39, is an assistant project manager of the Group. He joined the Group on 1 March 1998 and he is primarily responsible for the tendering work of the building services projects of the Group.

Mr. Chan has over 17 years of experience in the building services industry. He obtained a higher diploma in building services engineering and a bachelor's degree of engineering in building services engineering from the Hong Kong Polytechnic University in November 1997 and October 2014 respectively. Mr. Chan joined the Group as an engineer, and was subsequently promoted to the position as a senior engineer and his current position as an assistant project manager.

**Mr. LAU Hing Cheong (劉慶昌)**, aged 37, is an assistant project manager of the Group. He joined the Group in May 2004 and he is primarily responsible for the overall management of site works, quality control and work safety supervision regarding to the building services projects of the Group.

Mr. Lau has over 11 years of experience in the building services industry. He obtained a higher diploma in building services engineering and a bachelor's degree of engineering in building services engineering from the Hong Kong Polytechnic University in November 2000 and October 2013 respectively.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. CHAN Chun Sing (陳振聲)**, aged 36, is the chief financial officer of the Group. He is primarily responsible for the financial reporting, financial planning, treasury, financial control matters of the Group.

Mr. Chan has over 13 years of experience in the fields of accounting, auditing and compliance matters of listed companies in Hong Kong. He obtained a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University in 2001. Mr. Chan further obtained an Executive Master of Business Administration from the Chinese University of Hong Kong in November 2015. Mr. Chan has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since April 2006. He is also an associate member of the Hong Kong Institute of Directors since March 2013.

Mr. Chan worked for Deloitte Touche Tohmatsu from September 2001 to July 2011 and his last position held was senior manager in the audit department. Mr. Chan also served as an independent non-executive director of Noble House (China) Holding Limited from December 2011 to October 2013 (stock code: 8246). He joined a private company as chief financial officer from July 2013 to February 2014 and was appointed as executive director from March 2014 to April 2015. He was designated as non-executive director since May 2015.

### COMPANY SECRETARY

**Mr. CHENG Chin Wing (鄭展榮)**, aged 30, is the company secretary and an authorised representative of our Company.

Mr. Cheng has over 8 years of experience in the fields of corporate accounting, auditing, and company secretarial and compliance matters of listed companies in Hong Kong. He obtained a bachelor's degree of commerce in accountancy from the Hong Kong Baptist University in November 2008. Mr. Cheng has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2012.

Prior to joining the Group, Mr. Cheng served as the company secretary of Bamboos Health Care Holdings Limited (stock code: 8216) from March 2014 to September 2014. During April 2012 to October 2013, Mr. Cheng was the deputy financial controller of Noble House (China) Holdings Limited (stock code: 8246). Mr. Cheng worked for Deloitte Touche Tohmatsu from September 2008 to April 2012 and his last position held was a senior associate in the audit department.

# CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present hereby the corporate governance report of the Company for the year ended 31 December 2015.

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders of the Company.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**Code**") in Appendix 15 of the GEM Listing Rules. During the period from the Listing Date to 31 December 2015 (the "**Reporting Period**"), to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the Code.

## BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "**Board Committees**"). Further details of the Board Committees are set out below in this annual report.

### Corporate Governance Functions

The Board is responsible for performing the corporate governance duties as set out in paragraph D.3.1 of the Code, which include the following:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;
2. to review and monitor the training and continuous professional development of the Directors and senior management;
3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
5. to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

# CORPORATE GOVERNANCE REPORT

## Composition of the Board

Up to the date of this annual report, the Board comprises five Directors, including two executive Directors and three independent non-executive Directors (the “INED”). In particular, the composition of the Board is set out as follow:

### Executive Directors

Mr. Wong Kang Kwong  
Ms. So Nui Ho

### Independent non-executive Directors

Mr. Chung Yuk Ming, Christopher  
Mr. Fok Ka Chi  
Mr. Tam Chun Chung

In compliance with rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board consisted of three INEDs during the Reporting Period, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. During the Reporting Period and as of the date of this report, the number of INEDs represents more than one-third of the Board as required under the GEM Listing Rules. As such, there is a strong independent element in the Board to provide independent judgement.

In accordance with code provision A.4.1 of the Code, the Company has entered into a letter of appointment with each of the INEDs under which each INED is appointed for a specific term. The commencement date of each of the service agreement is 10 September 2015 for a fixed term of one year initially commencing from the Listing Date and renewable automatically for successive term of one year unless terminated by either party in accordance with the terms thereof.

Pursuant to Article 84 of the articles of association of the Company (the “Articles”), one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least once every 3 years. However, a retiring Director shall be eligible for re-election.

Specific enquiry has been made by the Company to each of the INEDs to confirm their independence pursuant to rule 5.09 of the GEM Listing Rules. In this connection, the Company has received positive confirmations from all of the three INEDs. Based on the confirmations received, the Company considers all the INEDs to be independent under the GEM Listing Rules.

Saved as disclosed below and in the section “Biographical Details of Directors and Senior Management” in this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and senior management.

# CORPORATE GOVERNANCE REPORT

## Board and General Meetings

Since the Listing Date and up to 31 December 2015, one board meeting was held. The forthcoming annual general meeting which will be held on 20 May 2016 is the first general meeting of the Company since the Listing Date.

The attendance record of each Director at the Board meeting is set out in the table below:

	Number of Attendance/ number of meetings
<b>Executive Directors</b>	
Mr. Wong Kang Kwong	1/1
Ms. So Nui Ho	1/1
<b>Independent non-executive Directors</b>	
Mr. Chung Yuk Ming, Christopher	1/1
Mr. Fok Ka Chi	1/1
Mr. Tam Chun Chung	1/1

## RELATIONSHIPS BETWEEN THE BOARD

Mr. Wong Kang Kwong and Ms. So Nui Ho are spouses. They are the executive Directors and the controlling shareholders with the meaning ascribed thereto under the GEM Listing Rules. The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

## CODE OF CONDUCT FOR 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 during the Reporting Period.

## DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

The Group acknowledges the importance of continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the Reporting Period, the Company has, among other things, provided and all Directors have attended at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

# CORPORATE GOVERNANCE REPORT

The individual training record of each Director received during the Year is summarised below:

Name of Director	Attending training course(s) relevant to corporate governance	Reading materials relevant to corporate governance
<b>Executive Directors</b>		
Mr. Wong Kang Kwong	√	√
Ms. So Nui Ho	√	√
<b>Independent non-executive Directors</b>		
Mr. Chung Yuk Ming, Christopher	√	√
Mr. Fok Ka Chi	√	√
Mr. Tam Chun Chung	√	√

## BOARD COMMITTEES

The Board has established a number of functional committees in compliance with the relevant GEM Listing Rules and to assist the Board to discharge its duties. Currently, three committees have been established. An audit committee (the “**Audit Committee**”) has been established on 10 September 2015 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C3.3 and C3.7 of the Code; a remuneration committee (the “**Remuneration Committee**”) has been established on 10 September 2015 with its terms of reference in compliance with paragraph B1.2 of the Code; and a nomination committee (the “**Nomination Committee**”) has been established on 10 September 2015 with its terms of reference in compliance with paragraph A5.2 of the Code. The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the Code. The relevant terms of reference of each of the three committees can be found on the Group’s website ([www.lapkeieng.com](http://www.lapkeieng.com)) and the website of the Stock Exchange.

All committees have been provided with sufficient resources and support from the Group to discharge their duties.

## AUDIT COMMITTEE

The Audit Committee consists of three members, namely Mr. Chung Yuk Ming, Christopher, Mr. Fok Ka Chi and Mr. Tam Chun Chung, all being independent non-executive Directors. Mr. Tam Chun Chung currently serves as the chairman of the Audit Committee, who has appropriate professional qualifications and experience in accounting matters. The members of the Audit Committee shall comprise non-executive Directors and shall be appointed or removed by the Board. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically.

The Audit Committee must comprise a minimum of three members, at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.28 of the GEM Listing Rules. In addition, the majority of the Audit Committee shall be INEDs.



# CORPORATE GOVERNANCE REPORT

With reference to the terms of reference, the primary responsibilities of the Audit Committee are, among others, the following (for the complete terms of reference, please refer to the Group's website at [www.lapkeieng.com](http://www.lapkeieng.com) or the website of the Stock Exchange):

1. to make recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditor, and approve the remuneration and terms of engagement of the Company's external auditor;
2. to review and monitor the Company's external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
3. to develop and implement policy on engaging the Company's external auditor to supply non-audit services, if any;
4. to monitor integrity of the Company's financial statements, annual report and accounts, half-year report and quarterly report and review significant financial reporting judgments contained in them;
5. to discuss with the Company's external auditors questions and doubts arising in the audit of annual accounts;
6. to review the statement about the Company's internal control system as included in the Company's annual report prior to submission for the Board's approval;
7. to review the Company's financial reporting, financial controls, internal control and risk management systems;
8. to discuss the internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system;
9. to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
10. to review the financial and accounting policies and practices of the Group;
11. to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response;
12. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
13. to report to the Board on that matters pursuant to the terms of reference of the Audit Committee and consider other topics as defined by the Board; and
14. to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

# CORPORATE GOVERNANCE REPORT

The members of the Audit Committee should meet at least twice a year. Due to the fact that the Company was listed on 25 September 2015, the Audit Committee has only held one meeting during the Reporting Period, with full attendance by all the members of the Audit Committee.

The attendance records of the members of the Audit Committee are summarised below:

	Number of attendance/ number of meetings
Mr. Tam Chun Chung ( <i>Chairman</i> )	1/1
Mr. Chung Yuk Ming, Christopher	1/1
Mr. Fok Ka Chi	1/1

The following is a summary of the works performed by the Audit Committee during the Reporting Period:

- (a) reviewed the unaudited quarterly financial statements of the Group;
- (b) reviewed the Group's financial controls, internal control and risk management systems.

There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor. The Audit Committee has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the audited financial statements for the Year.

## REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Mr. Fok Ka Chi (Chairman), Mr. Chung Yuk Ming, Christopher and Mr. Tam Chun Chung, all being independent non-executive Directors of the Company.

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include, among other things, the following (for the complete terms of references, please refer to the Group's website at [www.lapkeieng.com](http://www.lapkeieng.com) or the website of the Stock Exchange):

1. to consult the chairman of the Board and/of chief executive about their remuneration proposals for other executive Directors;
2. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

# CORPORATE GOVERNANCE REPORT

5. to make recommendations to the Board on the remuneration of non-executive Directors;
6. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
7. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
8. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
9. to ensure that no Directors or any of his associates is involved in deciding his own remuneration.

The members of the Remuneration Committee should meet at least once a year. Due to the fact that the Company was listed on 25 September 2015, no Remuneration Committee meeting has been held during the Reporting Period. Subsequent to the end of the Year and up to the date of this report, the first meeting of the Remuneration Committee was held on 23 March 2016 and has, inter alia, reviewed the remuneration packages for individual executive Directors and senior management and making recommendations to the Board.

The emolument payable to the Directors depends on their respective contractual terms under the service contracts or the appointment letters (as the case may be), and as recommended by the Remuneration Committee. Details of the Directors' emoluments are set out in note 10 to the consolidated financial statements.

## NOMINATION COMMITTEE

The Nomination Committee comprises three members, namely Mr. Chung Yuk Ming, Christopher (Chairman), Mr. Fok Ka Chi and Mr. Tam Chun Chung, all being independent non-executive Directors of the Company.

With reference to the terms of reference of the Nomination Committee, the primary responsibilities of the Nomination Committee include, among other things, the following (for the complete terms of reference please refer to the Group's website at [www.lapkeieng.com](http://www.lapkeieng.com) or the website of the Stock Exchange):

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;
2. to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;
3. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
4. to assess the independence of INEDs; and
5. to make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the chairman and the chief executive.

# CORPORATE GOVERNANCE REPORT

The members of the Nomination Committee should meet at least once a year. Due to the fact that the Company was listed on 25 September 2015, no Nomination Committee meeting has been held during the Reporting Period. Subsequent to the end of the Year and up to the date of this report, the first meeting of the Nomination Meeting was held on 23 March 2016, and has, inter alia, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and considered the Directors to retire and re-appoint at the forthcoming annual general meeting.

## AUDITORS' REMUNERATION

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed.

For the year ended 31 December 2015, the remuneration paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	Fees paid/payable for the services rendered HK\$'000
Statutory audit services	930
Non-audit services for acting as reporting accountant for the Listing and tax services	2,295

## COMPANY SECRETARY

Mr. Cheng Chin Wing was appointed as the company secretary of the Company on 19 May 2015. Please refer to the section "Biographical details of Directors and Senior Management" for his biographical information.

During the Reporting Period, Mr. Cheng has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

## COMPLIANCE OFFICER

Ms. So Nui Ho, an executive Director of the Board, is the compliance officer of the Group. Please refer to the section "Biographical details of Directors and Senior Management" for her biographical information.

## INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholder investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules.

The Directors are of the view that the consolidated financial statements of the Group for the Year has been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Statement of the Company's external auditors' responsibilities in respect of the consolidated financial statements is set out in the Independent Auditors' Report of this report.

## GENERAL MEETINGS WITH SHAREHOLDERS

The annual general meeting ("**AGM**") is a forum in which the Board and the shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc.

At the AGM, the Directors (including INEDs) are available to attend to questions raised by the shareholders. The external auditor of the Company is also invited to be present at the AGM to address the queries of the shareholders concerning the audit procedures and the auditor's report.

The first AGM of the Company will be held on Friday, 20 May 2016, the notice of which shall be sent to the shareholders of the Company in accordance with the Articles, the GEM Listing Rules and other applicable laws and regulations.

## SHAREHOLDERS' RIGHTS

### Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to Article 58 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("**EGM**"). EGMs shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within 2 months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may convene a meeting in accordance with the Articles and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisition(s) by the Company.

# CORPORATE GOVERNANCE REPORT

## **Procedures for Shareholders' Nomination of Directors**

Pursuant to Article 85 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director, notice in writing by that person of his willingness to be elected and the biographical details of that person as required under Rule 17.50(2) of the GEM Listing Rules for publication by the Company shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under this Article will commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

## **Procedures for directing shareholders' enquiries to the Board**

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

Should there be any enquiries and concerns from shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Room 6, 6/F, Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon Bay, Hong Kong by post for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

## **Investor Relations**

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at [www.lapkeieng.com](http://www.lapkeieng.com) and meetings with investors and shareholders. News update of the Group's business development and operation are also available on the Company's website.

## **Significant Changes in Constitutional Documents**

Save for the adoption of the amended and restated memorandum and articles of association of the Company for the purpose of the listing of the shares of the Company on the Stock Exchange, during the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

# REPORT OF DIRECTORS

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 December 2015.

## CORPORATE REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 April 2015.

In preparing for the listing of the Company's shares on the GEM Board of the Stock Exchange (the "**Listing**"), the Group underwent the Corporate Reorganisation (as defined under note 1 to the consolidated financial statements) and the Company became the holding company of the companies comprising the Group upon the completion of the Corporate Reorganisation on 18 May 2015.

Details of the Corporate Reorganisation are set out in note 1 to the consolidated financial statements. The shares of the Company were listed on GEM of the Stock Exchange with effect from 25 September 2015.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in the provision of engineering services for building services systems in Hong Kong. The principal activity of the Company is investment holding. The names and principal activities of its subsidiaries are set out in note 30 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**"), including a discussion of the principal risks and uncertainties facing the Group, environmental policies of the Group, compliance with laws and regulations by the Group, its relationship with customers, suppliers, subcontractors and employees and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 4 to 12 of this annual report. This discussion forms part of this directors' report.

## SEGMENT INFORMATION

An analysis of the Group's performance for the Year by operating segment is set out in note 5 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 38 of this annual report.

During the Year, an interim dividend of HK\$22.0 million (2014: HK\$5.1 million) was recognised as distribution by Lap Kei Engineering Company Limited, an indirect wholly-owned subsidiary of the Group, to its then shareholders, namely Mr. Wong Kang Kwong and Ms. So Nui Ho, spouse of Mr. Wong Kang Kwong. Before the Listing, another interim dividend of HK\$9.7 million was paid to its then sole shareholder in September 2015.

The Directors do not recommend the payment of a final dividend for the Year.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 81 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the Year in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements of this annual report.



# REPORT OF DIRECTORS

## SHARE CAPITAL

Details of the movements during the Year in the share capital of the Company are set out in note 21 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2015, the Company's reserves available for distribution to the shareholders, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately HK\$19.8 million.

## SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 10 September 2015 (the "**Scheme**"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

Particulars of the Scheme are set out in note 22 to the consolidated financial statements.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 December 2015.

## DISCLOSURE OF INTERESTS

### A. Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors as referred to in the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### (i) Long Position in the Company's Shares

Name of Director	Capacity/Nature	Number of shares held/ interested in	Percentage of shareholding
Mr. Wong Kang Kong ("Mr. Wong") (Note 1)	Interest in controlled corporation	960,000,000	75%
Ms. So Nui Ho ("Ms. So") (Note 2)	Interest of spouse	960,000,000	75%

Notes:

1. Mr. Wong beneficially owns 99% of the issued share capital of Golden Luck Limited ("**Golden Luck**") and is deemed, or taken to be, interested in the same number of shares held by Golden Luck for the purposes of the SFO. Mr. Wong is an executive Director and one of the controlling shareholders, of the Company, the sole director of Golden Luck, and the spouse of Ms. So.
2. Ms. So is the spouse of Mr. Wong. Under the SFO, Ms. So is deemed to be interested in the same number of shares in which Mr. Wong is interested.

## REPORT OF DIRECTORS

(ii) *Long position in the ordinary shares of associated corporations*

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Mr. Wong	Golden Luck	Beneficial owner	99	99%
Ms. So	Golden Luck	Beneficial owner	1	1%

Save as disclosed above, as at 31 December 2015, 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) 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 were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by Directors as referred to in the GEM Listing Rules.

### B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

So far as the Directors are aware, as at 31 December 2015, the following persons (other than the Directors and chief executive of the Company) were interested in 5% or more of the number of shares in issue which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held/ interested in	Long/short position	Percentage of total issued share capital of the Company
Golden Luck	Beneficial owner	960,000,000	Long	75%

Save as disclosed above, as at 31 December 2015, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

# REPORT OF DIRECTORS

## MAJOR CUSTOMERS

During the Year, the Group's five largest customers accounted for approximately 58.4% (2014: 47.1%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 19.8% (2014: 15.9%) of the total revenue.

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

## MAJOR SUPPLIERS

During the Year, the Group's five largest suppliers accounted for approximately 30.4% (2014: 50.7%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 8.9% (2014: 18.0%) of the total purchases.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers.

## DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report were:

### Executive Directors

Mr. Wong Kang Kwong (*Chairman*)  
Ms. So Nui Ho

### Independent non-executive Directors

Mr. Chung Yuk Ming, Christopher  
Mr. Fok Ka Chi  
Mr. Tam Chun Chung

Information regarding directors' emoluments is set out in note 10 to the consolidated financial statements.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the INEDs.

## BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages from 13 to 14 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and renewable automatically for successive terms of one year until terminated by the Director or the Company in accordance with the terms of the agreement. Each independent non-executive Director was appointed under a letter of appointment for a fixed term of one year initially commencing from the Listing Date and renewable automatically for successive term of one year unless terminated by either party in accordance with the terms thereof.

## REPORT OF DIRECTORS

Save as disclosed above, none of the Directors proposed for election at the forthcoming AGM has or is proposed to have a service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation, other than the statutory compensation.

### **DIRECTORS' RETIREMENT AND RE-ELECTION**

Pursuant to Article 84 of the Articles, one-third of the Directors for the time being (or, if their number is a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation every year shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Pursuant to Article 83(3) of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with Articles 83(3) and 84 of the Articles, all the Directors will retire at the forthcoming AGM and, being eligible, offer themselves for re-election at the forthcoming AGM.

### **DIRECTORS' MATERIAL INTERESTS IN CONTRACTS**

Save as disclosed in the Prospectus and elsewhere in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected the Director had a material interest, whether directly or indirectly, subsisted at any time during the Year.

### **CONTROLLING SHAREHOLDERS' INTEREST**

Save as disclosed in this annual report, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

### **EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS**

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 10 and 11, respectively, to the consolidated financial statements in this annual report.

### **EMOLUMENT POLICY**

The Remuneration Committee will review and determine the remuneration and compensation packages of the Directors and senior management with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options to be granted under the Share Option Scheme.

## 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 during the year ended 31 December 2015.

## DEED OF NON-COMPETITION

The deed of non-competition dated 17 September 2015 has been entered into by Mr. Wong Kang Kwong, Ms. So Nui Ho, Golden Luck Limited, the controlling shareholders of the Company within the meaning of the GEM Listing Rules (collectively the **"Controlling Shareholders"**) in favour of the Company regarding certain non-competition undertakings given by the Controlling Shareholders in favour of the Company. The details of the deed of non-competition have been disclosed in the section headed "Relationship with the Controlling Shareholders" of the Prospectus.

The Company has received an annual declaration from each of the Controlling Shareholders confirming that he/she/it has complied with the non-competition undertakings provided to the Company under the said deed of non-competition during the Reporting Period. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that all the undertakings thereunder have been complied for the Year.

## INTEREST OF COMPLIANCE ADVISOR

As at 31 December 2015, as notified by the Company's compliance advisor, Messis Capital Limited (the **"Compliance Advisor"**), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated on 17 September 2015, neither the Compliance Advisor nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to 31 December 2015.

## RELATED PARTY TRANSACTIONS

The related party transactions entered into by the Group with LKW Company Limited (**"LKW Co"**) during the Year as set out in note 28 to the consolidated financial statements are continuing connected transactions which are exempted from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules. Further details of these continuing connected transactions are set out in the section headed "CONNECTED TRANSACTIONS" in the Prospectus.

The related party transactions entered into by the Group with Kin Kwan Decoration, Co (**"Kin Kwan"**) during the Year as set out in note 28 to the consolidated financial statements are non-exempt continuing connected transactions which are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules. Further details of these continuing connected transactions are set out in the section below headed "CONTINUING CONNECTED TRANSACTIONS".

## REPORT OF DIRECTORS

The Group has applied to the Stock Exchange for, and the Stock Exchange has granted it, a waiver from strict compliance with the announcement requirements under Chapter 20 of the GEM Listing Rules in respect of the continuing connected transactions with Kin Kwan. Further details of the said waiver are set out in the section below headed "CONTINUING CONNECTED TRANSACTIONS".

The related party transactions in relation to the key management personnel remuneration as disclosed in note 28 to the audited consolidated financial statements are connected transactions exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements pursuant to the GEM Listing Rules.

Save as disclosed above, the Directors consider that those related party transactions disclosed in note 28 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

### CONTINUING CONNECTED TRANSACTIONS

#### **Framework Subcontracting Agreement entered into between the Company and Kin Kwan**

On 25 August 2015, the Company and Kin Kwan, a sole proprietorship owned by Mr. Wong Kang Hong, being the younger brother of Mr. Wong Kang Kwong, an executive Director and a controlling shareholder of the Company, entered into a framework subcontracting agreement, pursuant to which the Group may engage Kin Kwan as subcontractor for the provision of fitting-out works pursuant to the terms and conditions thereunder with effect from 25 August 2015 and ending on 31 December 2017 (the "**Framework Subcontracting Agreement**"). Under the Framework Subcontracting Agreement, the Company and its subsidiaries may invite Kin Kwan for tendering for the provision of the relevant services. The Group will generally select the most suitable subcontractor from the approved list of subcontractors based on their relevant skill sets and experience, subject to their availability and fee quotations. The Group is not bound to engage Kin Kwan for tenders submitted by it and may engage other subcontractors. In the event that the Group accepts the tender provided by Kin Kwan, the Group will acknowledge its acceptance of Kin Kwan's tender by a written purchase confirmation. Kin Kwan shall carry out the works and the Group shall pay the service fees to Kin Kwan in accordance with the relevant tender.

As disclosed in the Prospectus, the Board estimated that the annual caps under the Framework Subcontracting Agreement will be HK\$5.5 million, HK\$6.0 million and HK\$6.5 million for each of the financial years ended or ending 31 December 2015, 2016 and 2017 respectively.

Kin Kwan is a sole proprietorship owned by Mr. Wong Kang Hong, being the younger brother of Mr. Wong Kang Kwong, an executive Director and a controlling shareholder of the Company. As such, Mr. Wong Kang Hong (and thus Mr. Wong Kang Hong trading as Kin Kwan) is a connected person of the Company for the purpose of the GEM Listing Rules. Accordingly, the transactions contemplated under the Framework Subcontracting Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Since each of the applicable percentage ratios (other than the profits ratio) as defined under the GEM Listing Rules for the Framework Subcontracting Agreement is expected to exceed 5% but less than 25% and the total annual consideration is expected to be less than HK\$10 million, the transactions contemplated under the Framework Subcontracting Agreement are subject to the reporting, announcement and annual review requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules, subject however to the waiver as mentioned below.

# REPORT OF DIRECTORS

The Group has applied to the Stock Exchange for, and the Stock Exchange has granted it, a waiver from strict compliance with the announcement requirements under Chapter 20 of the GEM Listing Rules in respect of the non-exempt continuing connected transactions under the Framework Subcontracting Agreement mentioned above subject to (a) the above non-exempt continuing connected transactions will be carried out in compliance with the connected transactions in accordance with Chapter 20 of the GEM Listing Rules; and (b) the aggregate value of each of these non-exempt continuing connected transactions for each of the financial years ended or ending 31 December 2015, 2016 and 2017 will not exceed the relevant annual caps.

During the Year, the sub-contracting expenses from building services engineering contracts paid under the Framework Subcontracting Agreement amounted to approximately HK\$0.27 million (2014: approximately HK\$0.54 million), which was within the annual cap for the Year.

## **Annual Review of Continuing Connected Transactions**

Pursuant to Rule 20.53 of the GEM Listing Rules, the non-exempt continuing connected transactions under the Framework Subcontracting Agreement mentioned above have been reviewed by the INEDs who have confirmed that the transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor has been engaged by the Company to report on the Group's continuing connected transactions. The auditor has issued a letter to the Board containing their findings and conclusions in respect of the non-exempt continuing connected transactions under the Framework Subcontracting Agreement mentioned above in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided to the Stock Exchange in accordance with Rule 20.55 of the GEM Listing Rules.

## **SUFFICIENCY OF PUBLIC FLOAT**

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this report.

## **AUDITOR**

The consolidated financial statements for the Year have been audited by Deloitte Touche Tohmatsu ("**DTT**"). DTT shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of DTT as auditor of the Company will be proposed at the forthcoming AGM. The Company has not changed its external auditor during the year ended 31 December 2015 and up to the date of this annual report.

## **CORPORATE GOVERNANCE**

Details of the corporate governance of the Company are set out in the section headed "Corporate Governance Report" in this report on pages 17 to 26.

## **PRE-EMPTIVE RIGHTS**

There is no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Year.



# REPORT OF DIRECTORS

## CHARITABLE DONATIONS

Charitable and other donations made by the Group during the Year amounted to HK\$37,500 (2014: HK\$5,000).

## EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2015 and up to the date of this report.

## CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Wednesday, 18 May 2016 to Friday, 20 May 2016, both days inclusive, during which period no transfer of the Shares will be registered. Shareholder are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 17 May 2016.

On behalf of the Board  
**Lap Kei Engineering (Holdings) Limited**  
**Wong Kang Kwong**  
*Chairman and Executive Director*

Hong Kong, 23 March 2016

# Deloitte.

## 德勤

### TO THE MEMBERS OF LAP KEI ENGINEERING (HOLDINGS) LIMITED

*(incorporated in Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Lap Kei Engineering (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 80, which comprise the consolidated statement of financial position as at 31 December 2015, 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 the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountant and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

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

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

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

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## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, 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

23 March 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	5	<b>187,794</b>	135,493
Cost of sales		<b>(149,919)</b>	(98,910)
Gross profit		<b>37,875</b>	36,583
Other income		<b>244</b>	378
Gain on disposal of leasehold land and buildings		<b>8,269</b>	–
Administrative expenses		<b>(17,362)</b>	(7,728)
Listing expenses		<b>(10,054)</b>	–
Finance costs	6	<b>(89)</b>	(193)
Profit before taxation		<b>18,883</b>	29,040
Income tax expense	7	<b>(4,369)</b>	(4,787)
Profit and total comprehensive income for the year	8	<b>14,514</b>	24,253
Earnings per share			
Basic (HK\$ cents)	12	<b>1.27</b>	2.23

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	1,605	6,044
Deposit paid for a life insurance policy	14	1,118	1,117
		<b>2,723</b>	7,161
<b>Current assets</b>			
Inventories — raw materials and consumables		30	36
Amounts due from customers for contract work	15	54,355	23,646
Trade and other receivables	16	61,810	42,467
Amount due from a director	17	–	10,711
Pledged bank deposits	18	18,000	–
Bank balances and cash	18	4,021	34,651
		<b>138,216</b>	111,511
<b>Current liabilities</b>			
Amounts due to customers for contract work	15	1,585	1,668
Trade and other payables	19	46,624	46,546
Amount due to a related party	17	1	211
Tax payable		1,329	4,772
Bank borrowings	20	3,590	7,563
Bank overdrafts	18	5,311	586
		<b>58,440</b>	61,346
<b>Net current assets</b>		<b>79,776</b>	50,165
<b>Net assets</b>		<b>82,499</b>	57,326
<b>Capital and reserve</b>			
Share capital	21	12,800	610
Reserves		69,699	56,716
		<b>82,499</b>	57,326

The consolidated financial statements on pages 38 to 80 were approved and authorised for issue by the Board of Directors on 23 March 2016 and are signed on its behalf by:

**Wong Kang Kwong**  
DIRECTOR

**So Nui Ho**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (note)	Accumulated profits HK\$'000	Total HK\$'000
At 1 January 2014	610	–	–	37,563	38,173
Profit and total comprehensive income for the year	–	–	–	24,253	24,253
Dividend recognised as distribution (note 9)	–	–	–	(5,100)	(5,100)
At 31 December 2014	610	–	–	56,716	57,326
Effect of the Corporate Reorganisation (defined in note 1)	(610)	–	610	–	–
Profit and total comprehensive income for the year	–	–	–	14,514	14,514
Dividend recognised as distribution (note 9)	–	–	–	(31,700)	(31,700)
Issue of shares pursuant to the listing of the Company (note 21(d))	1,920	46,080	–	–	48,000
Capitalisation issue of shares (note 21(c))	10,880	(10,880)	–	–	–
Expenses incurred in connection with issue of new shares	–	(4,345)	–	–	(4,345)
Deemed distribution to a shareholder (note 28(i))	–	–	–	(1,296)	(1,296)
At 31 December 2015	12,800	30,855	610	38,234	82,499

Note: Merger reserve represented the difference between the aggregated share capital of the relevant subsidiaries (which were transferred from Mr. Wong and Ms. So (defined in note 9) to LKW Enterprise Limited ("LKW Enterprise") pursuant to the Corporate Reorganisation, as set out in note 1) and the newly issued share capital of LKW Enterprise.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	<b>18,883</b>	29,040
Adjustments for:		
Depreciation of property, plant and equipment	<b>567</b>	543
Interest expenses	<b>89</b>	193
Interest income	<b>(13)</b>	(27)
Gain on disposal of leasehold land and buildings	<b>(8,269)</b>	–
Operating cash flows before movements in working capital	<b>11,257</b>	29,749
Decrease in inventories	<b>6</b>	28
Increase in amounts due from customers for contract work	<b>(30,709)</b>	(6,103)
Increase in trade and other receivables	<b>(19,343)</b>	(5,222)
Decrease in amounts due to customers for contract work	<b>(83)</b>	(197)
Increase in trade and other payables	<b>78</b>	26,050
(Decrease) increase in amount due to a related party	<b>(210)</b>	211
Cash (used in) generated from operations	<b>(39,004)</b>	44,516
Hong Kong Profits Tax paid	<b>(7,812)</b>	(2,525)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(46,816)</b>	41,991
INVESTING ACTIVITIES		
Advance to a director	–	(14,461)
Placement of pledged bank deposits	<b>(18,000)</b>	–
Purchase of property, plant and equipment	<b>(459)</b>	(1,823)
Proceeds on disposal of leasehold land and buildings	<b>12,600</b>	–
Repayment from a director	<b>5,800</b>	1,112
Interest received	<b>12</b>	14
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(47)</b>	(15,158)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
FINANCING ACTIVITIES		
Dividend paid	(26,789)	–
Repayment of bank borrowings	(7,563)	(2,123)
Expenses paid in connection with the issue of shares	(5,641)	–
Interest paid	(89)	(193)
Proceeds from issue of new shares	48,000	–
New bank borrowings raised	3,590	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	11,508	(2,316)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(35,355)	24,517
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	34,065	9,548
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(1,290)	34,065
Represented by		
Bank balances and cash	4,021	34,651
Bank overdrafts	(5,311)	(586)
	(1,290)	34,065



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 1. GENERAL AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 April 2015 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 25 September 2015 (the "Listing"). Its immediate and ultimate holding company is Golden Luck Limited ("Golden Luck"), which is a limited company incorporated in the British Virgin Islands. The address of the registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Room 6, 6/F, Block B, Tonic Industrial Centre, 19 Lam Hing Street, Kowloon Bay, Hong Kong.

Pursuant to the corporate reorganisation to rationalise the group structure in the preparation for the listing of the Company's shares on Growth Enterprise Market of the Stock Exchange (the "Corporation Reorganisation"), the Company became the holding company of the companies now comprising the Group on 18 May 2015. The Group comprising the Company and its subsidiaries resulting from the Corporate Reorganisation is regarded as a continuing entity. Details of the Corporate Reorganisation are set out in the Company's prospectus dated 18 September 2015.

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 ended 31 December 2015 and 2014 have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure under the Corporate Reorganisation had been in existence throughout the years ended 31 December 2015 and 2014 or since their respective dates of incorporation, whichever is the shorter period. The consolidated statement of financial position of the Group as at 31 December 2014 have been prepared to present the assets and liabilities of the Company now comprising the Group as if the current group structure had been in existence, at this date, taken into account the respective dates of incorporation.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 30.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

The Group has applied all the standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are effective for the Group’s financial year beginning 1 January 2015.

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

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016, 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 a date to be determined.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### 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 HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new Hong Kong Companies Ordinance and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance or Listing Rules but not under the new Hong Kong Companies Ordinance or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants 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 Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the 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".

The principal accounting policies are set out below.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

### Merger accounting for business combination involving entities under common control

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

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition

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

The Group's policy for recognition of revenue from contracts is described in the accounting policy for contracts below.

#### *Interest income*

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

#### *Maintenance, repair and other service income*

Maintenance and repair service income is recognised on a straight-line basis over the terms of the relevant contract.

Other service income including that from replacement of parts in electrical and maintenance system is recognised when services are provided.

### Building services engineering contracts

When the outcome of a building services engineering contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured by the proportion that the value of work carried out during the year. 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.

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

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

When 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 the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

### 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.

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

### 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*

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

#### *Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### Retirement benefits costs

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### *Current tax*

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

#### *Deferred tax*

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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

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

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

#### *Current and deferred tax for the year*

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment

Property, plant and equipment including leasehold land and buildings (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

### Impairment of tangible assets

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

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **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 obligation, 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 (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### *Onerous contracts*

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

### **Financial instruments**

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities 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 classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### *Effective interest method*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### *Financial assets (continued)*

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amount due from a director, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables, where the recognition of interest would be immaterial.

##### Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### *Financial liabilities and equity instruments*

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

#### 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 a group entity are recognised at the proceeds received, net of direct issue costs.

#### Financial liabilities

Financial liabilities, including trade and other payables, amount due to a related party, bank borrowings and bank overdrafts, are subsequently measured at amortised cost, using the effective interest method.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction cost 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. Interest expense is recognised on an effective interest basis.

#### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

### **Estimated outcome of building services engineering contracts**

The Group recognises contract revenue and cost of a building services engineering contract according to the management's estimation of the progress and outcome of the project. Estimated revenue is determined in accordance with the terms set out in the relevant contracts or, in case of variation orders, based on contract terms or other forms of agreements. Estimated contract cost, which mainly comprises direct labour cost, subcontracting charges and costs of materials, is variable and estimated by the directors of the Company on the basis of estimated cost of direct labour, subcontracting charges and costs of materials from time to time based on quotations provided by the major subcontractors/suppliers/vendors involved and the experience of the directors of the Company. Notwithstanding that the directors of the Company frequent review and revise the estimates of both estimated revenue and costs for the building services engineering contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

### **Estimated impairment of trade and retention receivables**

The directors of the Company estimate the recoverability of trade and retention receivables at the end of each reporting period. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate compounded at initial recognition). Where the actual future cash flows are less than expected, an impairment loss may arise.

As at 31 December 2015 and 2014, the carrying amounts of trade and retention receivables of the Group were HK\$57,045,000 and HK\$40,816,000, respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 5. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the directors of the Company, in order for CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- (i) Building services engineering work – provision of building services engineering work including ventilation and air-conditioning system, electrical system, plumbing and drainage system, fire system and other related works
- (ii) Maintenance, repair and other services – provision of maintenance and repair services for building services system and replacement of parts

The Group's CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the Group's CODM does not regularly review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

### Segment revenue and results

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

#### For the year ended 31 December 2015

	Building services engineering work HK\$'000	Maintenance, repair and other services HK\$'000	Total HK\$'000
Segment revenue			
External sales	165,703	22,091	187,794
Segment results	28,594	9,281	37,875
Other income			244
Gain on disposal of leasehold land and buildings			8,269
Administrative expenses			(17,362)
Listing expenses			(10,054)
Finance costs			(89)
Profit before taxation			18,883

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results (continued)

For the year ended 31 December 2014

	Building services engineering work HK\$'000	Maintenance, repair and other services HK\$'000	Total HK\$'000
Segment revenue			
External sales	118,360	17,133	135,493
Segment results	30,257	6,326	36,583
Other income			378
Administrative expenses			(7,728)
Finance costs			(193)
Profit before taxation			29,040

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results mainly represented gross profit earned by each segment.

### Geographical information

The Group's revenue is solely generated from, and non-current assets are located in, Hong Kong, based on the location of the relevant entities' operation.

### Information about major customers

Revenue from customers in respect of building services engineering work during the years ended 31 December 2015 and 2014 individually contributing over 10% of the Group's revenue is as follows:

	2015 HK\$'000	2014 HK\$'000
Customer A	N/A <sup>1</sup>	21,491
Customer B	37,107	15,985
Customer C	26,360	N/A <sup>1</sup>
Customer D	21,294	N/A <sup>1</sup>

<sup>1</sup> Revenue from the customer is less than 10% of the total revenue of the Group for the respective year.

No single customer in respect of maintenance, repair and other services contributed 10% or more to the Group's revenue for each of the years ended 31 December 2015 and 2014.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest on bank borrowings	89	193

## 7. INCOME TAX EXPENSE

	2015 HK\$'000	2014 HK\$'000
Hong Kong Profits Tax — Current year	4,369	4,787

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

The tax charge for the year ended 31 December 2015 can be reconciled to profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	18,883	29,040
Tax at Hong Kong Profits Tax rate of 16.5%	3,116	4,792
Tax effect of expenses not deductible for tax purpose	1,928	—
Tax effect of tax losses not recognised	763	—
Tax effect of income not taxable for tax purpose	(1,438)	(5)
Income tax expense for the year	4,369	4,787

At the end of the reporting period, the Group has unused tax losses of approximately HK\$4,942,000 (2014: HK\$318,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the entire amount of tax losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 8. PROFIT FOR THE YEAR

	2015 HK\$'000	2014 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Director's remuneration	4,784	1,768
Other staff costs:		
Salaries and other allowances	34,872	23,834
Retirement benefit scheme contributions	1,069	956
Total staff costs	40,725	26,558
Auditor's remuneration	930	700
Depreciation of property, plant and equipment	567	543
Bank interest income	(12)	(14)
Interest income on a deposit paid for a life insurance policy	(1)	(13)

## 9. DIVIDEND

During the year ended 31 December 2015, an interim dividend of HK\$22,000,000 (HK\$36.7 per share) (2014: HK\$5,100,000 (HK\$8.5 per share)) was recognised as distribution by Lap Kei Engineering Company Limited ("Lap Kei"), a subsidiary of the Company, to its then shareholders, namely Mr. Wong Kang Kwong ("Mr. Wong") and Ms. So Nui Ho ("Ms. So"), spouse of Mr. Wong. Before listing of the Company's shares on the Stock Exchange, another interim dividend of HK\$9,700,000 (HK\$9,700,000 per share) was paid to its then sole shareholder in September 2015.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

	Director's fees HK\$'000	Salaries and other allowances HK\$'000	Performance related bonus HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 December 2015</b>					
Executive directors:					
Mr. Wong	–	1,534	1,500	18	3,052
Ms. So	–	618	1,000	18	1,636
Independent non-executive directors:					
Mr. Chung Yuk Ming, Christopher ("Mr. Chung")	32	–	–	–	32
Mr. Fok Ka Chi ("Mr. Fok")	32	–	–	–	32
Mr. Tam Chun Chung ("Mr. Tam")	32	–	–	–	32
	<b>96</b>	<b>2,152</b>	<b>2,500</b>	<b>36</b>	<b>4,784</b>

	Director's fees HK\$'000	Salaries and other allowances HK\$'000	Performance related bonus HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 December 2014</b>					
Executive directors:					
Mr. Wong	–	1,157	–	17	1,174
Ms. So	–	577	–	17	594
	–	1,734	–	34	1,768

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (CONTINUED)

The emoluments of Mr. Wong and Ms. So disclosed above include those services rendered by them as executive directors of Lap Kei during the year ended 31 December 2015 and 2014. Performance related incentive payments were determined with reference to the Group's operating results and individual performance. Both Mr. Wong and Ms. So were appointed as the executive directors of the Company on 29 April 2015 and 19 May 2015 respectively. Mr. Chung, Mr. Fok and Mr. Tam were appointed as independent non-executive directors on 10 September 2015 respectively. During both years, director's fees and salaries and other allowances of all directors were paid by a major operating subsidiary of the Group.

No emoluments was paid or payable to the independent non-executive directors in 2014 as they were neither the directors nor employees of the Group during the year ended 31 December 2014.

None of the director waived or agreed to waive any emolument during the years ended 31 December 2015 and 2014. The Company did not have chief executive during the years ended 31 December 2015 and 2014.

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

## 11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group during the years ended 31 December 2015 included 2 (2014: 2) directors, details of whose emoluments are set out in note 10 above. Details of the emoluments of the remaining 3 (2014: 3) individuals during the years ended 31 December 2015 and 2014 were as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	3,018	1,534
Discretionary bonus	4,750	2,620
Retirement benefit scheme contribution	51	50
	<b>7,819</b>	4,204

The emoluments were within the following bands:

	2015 HK\$'000	2014 HK\$'000
Not exceeding HK\$1,000,000	–	3
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$3,000,001 to HK\$3,500,000	2	–
	<b>3</b>	3

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 12. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2015 is based on the profit for the year of approximately HK\$14,514,000 (2014: HK\$24,253,000) and the weighted average number of ordinary shares in issue during the year ended 31 December 2015 of approximately 1,139,551,000 (2014: 1,088,000,000) on the assumption that the Corporate Reorganisation and the Capitalisation Issue as defined in note 21, had been completed on 1 January 2014. No diluted earnings per share is presented for both years as there was no potential ordinary share outstanding.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>					
At 1 January 2014	5,058	758	448	1,487	7,751
Additions	–	–	–	1,823	1,823
Disposal	–	–	–	(1,098)	(1,098)
At 31 December 2014	5,058	758	448	2,212	8,476
Additions	–	–	–	459	459
Disposal	(5,058)	–	–	–	(5,058)
At 31 December 2015	–	758	448	2,671	3,877
<b>DEPRECIATION</b>					
At 1 January 2014	522	663	418	1,384	2,987
Provided for the year	133	95	30	285	543
Eliminated on disposal	–	–	–	(1,098)	(1,098)
At 31 December 2014	655	758	448	571	2,432
Provided for the year	72	–	–	495	567
Eliminated on disposal	(727)	–	–	–	(727)
At 31 December 2015	–	758	448	1,066	2,272
<b>CARRYING VALUES</b>					
At 31 December 2015	–	–	–	1,605	1,605
At 31 December 2014	4,403	–	–	1,641	6,044

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The leasehold land and buildings are situated in Hong Kong and held under medium-term leases.

The above items of property, plant and equipment are depreciated over their estimated useful lives, using straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the term of the lease of 38 years
Leasehold improvement	20%–33 $\frac{1}{3}$ %
Furniture, fixtures and equipment	20%–33 $\frac{1}{3}$ %
Motor vehicles	20%–33 $\frac{1}{3}$ %

## 14. DEPOSIT PAID FOR A LIFE INSURANCE POLICY

In 2012, Lap Kei entered into a life insurance policy with an insurance company on Mr. Wong. Under the policy, the beneficiary and policy holder is Lap Kei. Lap Kei is required to pay an upfront payment for the policy. Lap Kei may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus policy expense and insurance premium charged (the "Cash Value"). If such withdrawal is made at any time during the first to the fifteen policy year, as appropriate, a pre-determined specified surrender charge would be imposed. The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the life insurance policy and the deposit placed is carried at amortised cost using the effective interest method. The deposit placed for the life insurance policy carries guaranteed interests at interest rates ranging from 2.15% to 4.15% plus a premium determined by the insurance company during the tenures of the policy.

Particulars of the policy are as follows:

Insured sum	Upfront payment	Guaranteed interest rates	
		First year	Second year and onwards
US\$500,000 (equivalent to HK\$3,890,000)	US\$138,000 (equivalent to HK\$1,074,000)	4.15% per annum	2.15% per annum

The carrying amounts of deposit placed for the life insurance policy at the end of each reporting period are set out as below:

	2015 HK\$'000	2014 HK\$'000
Deposit placed for a life insurance policy	1,118	1,117

The carrying amounts of the deposit paid for a life insurance policy as at 31 December 2015 and 2014 approximate the Cash Value of the insurance policy and the expected life of the policy remained unchanged from the initial recognition. The entire balance of the life insurance policy is denominated in US\$.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 15. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2015 HK\$'000	2014 HK\$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date	255,421	193,815
Add: Recognised profits less recognised losses	85,552	63,602
	<b>340,973</b>	257,417
Less: Progress billings	<b>(288,203)</b>	(235,439)
	<b>52,770</b>	21,978
Analysed for reporting purposes as:		
Amounts due from customers for contract work	54,355	23,646
Amounts due to customers for contract work	<b>(1,585)</b>	(1,668)
	<b>52,770</b>	21,978

As at 31 December 2015, retention held by customers for contract work amounting to HK\$14,573,000 (2014: HK\$9,207,000) were set out in note 16. Advance received from customers at 31 December 2015 is HK\$7,383,000 (2014: HK\$15,975,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 16. TRADE AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	42,472	31,609
Retention receivables (note)	14,573	9,207
Other receivables, deposits and prepayments	4,765	1,651
<b>Total trade and other receivables</b>	<b>61,810</b>	<b>42,467</b>

Note: Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from 1 to 2 years from the date of the completion of the respective project.

The retention receivables are to be settled, based on the expiry of the defect liability period, at the end of each reporting period:

	2015 HK\$'000	2014 HK\$'000
On demand or within one year	13,275	5,549
After one year	1,298	3,658
	<b>14,573</b>	<b>9,207</b>

The Group allows a credit period of 30 days to its customers for its trade receivables.

The following is an aged analysis of trade receivables presented based on invoice dates at the end of each reporting period:

	2015 HK\$'000	2014 HK\$'000
0–30 days	28,492	14,412
31–60 days	6,174	12,775
61–90 days	1,696	956
> 90 days	6,110	3,466
	<b>42,472</b>	<b>31,609</b>

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of HK\$13,980,000 (2014: HK\$17,197,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 141 days (2014: 92 days).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 16. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2015 HK\$'000	2014 HK\$'000
31–60 days	6,174	12,775
61–90 days	1,696	956
> 90 days	6,110	3,466
	<b>13,980</b>	17,197

As at 31 December 2014, included in the Group's retention receivables balances were debtors with aggregate carrying amount of HK\$89,000, which were past due at the end of the reporting period for which the Group has not provided for impairment loss. The average age of these receivables was 246 days. The amounts of HK\$14,573,000 (2014: HK\$9,118,000) as at 31 December 2015 are not yet due. The Group does not hold any collateral over these balances.

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

The Group's trade receivables that are neither past due nor impaired related to customers for whom there was no recent history of default.

In determining the recoverability of trade and retention receivables, the Group considers any change in the credit quality of the trade and retention receivables from the date credit was initially granted up to the end of each reporting period.

## 17. AMOUNTS DUE FROM (TO) A DIRECTOR/A RELATED PARTY

	2015 HK\$'000	2014 HK\$'000
Amount due from a director (note a)	–	10,711
Amount due to a related party (note b)	(1)	(211)

Notes:

- The amount is non-trade related, unsecured, interest-free and repayable on demand. The maximum outstanding amount during the year ended 31 December 2015 was HK\$10,771,000 (2014: HK\$10,711,000). The amount was fully settled during the year ended 31 December 2015.
- The amount represents amount due to Kin Kwan Decoration, Co ("Kin Kwan"), the sole beneficial owner of which is a brother of Mr. Wong. The amount is trade-related, unsecured, interest-free and with a credit period of 30 days. The amount is aged within 30 days based on invoice dates at the end of each reporting period.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 18. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH/BANK OVERDRAFTS

Bank balances and cash comprise cash on hand and bank balances. Bank balances carry interest at prevailing market interest rate which was 0.01% (2014: 0.01%) per annum.

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities and bank borrowings granted to the Group. The pledged bank deposits carry fixed interest rate at 0.20% per annum.

Secured bank overdrafts carry interest at 2% over the overnight Hong Kong Interbank Offered Rate ("HIBOR") or 2% over the Hong Kong Prime Rate per annum, or 1% over the interest rate per annum charged by the pledged bank deposits at the bank, whichever is the highest and are repayable on demand. The effective interest rate on secured bank overdrafts as at 31 December 2015 is of 7.25% (2014: 7.25%) per annum.

## 19. TRADE AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Trade payables	20,314	15,515
Retention payables (note)	588	819
Accruals	17,107	14,237
Receipt in advance	8,615	15,975
Total trade and other payables	46,624	46,546

Note: Retention payables are interest-free and payable at the end of the defect liability period of individual contracts, ranging from 1 to 2 years from the completion date of the respective project.

The credit period on trade payables is 30 days.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of each reporting period:

	2015 HK\$'000	2014 HK\$'000
0-30 days	13,223	11,563
31-60 days	5,102	1,627
61-90 days	629	1,120
> 90 days	1,360	1,205
	20,314	15,515

The retention payables are to be settled within one year, based on the expiry of defect liability period, at the end of each reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 20. BANK BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Bank borrowings — secured:		
Fixed rate	–	641
Variable rate	<b>3,590</b>	6,922
	<b>3,590</b>	7,563
Carrying amounts repayable (note):		
On demand or within one year	<b>3,590</b>	1,268
More than one year, but not exceeding two years	–	688
More than two years, but not exceeding five years	–	1,500
More than five years	–	4,107
Amount shown under current liabilities	<b>3,590</b>	7,563

Note: All bank borrowings contain a repayment on demand clause and are shown under current liabilities. The amounts due are presented based on scheduled repayment dates set out in the loan agreements.

The fixed rate bank borrowings as at 31 December 2014 carried interest at 3.25% per annum.

The variable rate bank borrowings as at 31 December 2015 carry interest at Hong Kong Prime Rate plus 1.50%. The effective interest rate on borrowings (which are also equal to contracted interest rate) is 6.50% per annum.

The variable rate bank borrowings as at 31 December 2014 amounting to HK\$4,462,000 carried interest at three-month HIBOR plus 1.5% per annum. The remaining variable rate bank borrowings amounting to HK\$2,460,000 carried interests at Hong Kong Prime Rate less 3% per annum. The ranges of effective interest rates on borrowings (which are also equal to contracted interest rate) were from 1.87% to 2.25% per annum.

The Group's bank borrowings are denominated in HK\$. These bank borrowings are under banking facilities for drawing loans and issuing performance bonds. As at 31 December 2015, the banking facilities are secured by a fixed deposit amounting to HK\$18,000,000 held by the Group as disclosed in note 18.

As at 31 December 2014, the banking facilities were secured by a legal charge over two properties held by the Group (included in property, plant and equipment) and deposit paid for a life insurance policy as disclosed in note 27, and certain properties owned by Mr. Wong and Ms. So and guaranteed by personal guarantees provided by them for unlimited amounts. All of these securities were released during the year ended 31 December 2015.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 21. SHARE CAPITAL

The issued capital of the Group as at 31 December 2014 represented the combined share capital of Lap Kei and Wealth E & M Limited ("Wealth E & M").

The share capital at 31 December 2015 represented the share capital of the Company.

	Notes	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 29 April 2015 (date of incorporation)	(a)	38,000,000	380
Increase in authorised share capital	(b)	3,962,000,000	39,620
At 31 December 2015		4,000,000,000	40,000
Issued and fully paid			
Allotted and issued on 29 April 2015 (date of incorporation)	(a)	1	–
Capitalisation issue of shares	(c)	1,087,999,999	10,880
Issue of shares pursuant to the listing of the Company's shares	(d)	192,000,000	1,920
At 31 December 2015		1,280,000,000	12,800

The following changes in the share capital of the Company took place during the period from 29 April 2015 (date of incorporation) to 31 December 2015.

- (a) The Company was incorporated on 29 April 2015 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, one ordinary share was allotted, issued and fully paid to an initial subscriber, which was then transferred to Golden Luck on the same day.
- (b) On 10 September 2015, the authorised share capital of the Company was increased from HK\$380,000 to HK\$40,000,000 by the creation of the additional 3,962,000,000 new shares of HK\$0.01 each. These new shares rank pari passu in all respects with the existing shares.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 21. SHARE CAPITAL (CONTINUED)

- (c) Pursuant to the written resolution passed by all shareholders of the Company dated 10 September 2015, conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the Listing, the directors of the Company had authorised to allot and issue 1,087,999,999 ordinary shares of HK\$0.01 each of the Company, by way of capitalisation of the sum of approximately HK\$10,880,000 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholder of the Company appearing on the register of members of the Company ("Capitalisation Issue"). The Capitalisation issue was completed on 25 September 2015.
- (d) On 25 September 2015, 192,000,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.25 by way of placing. On the same date, the Company's shares were listed on the Stock Exchange. The proceeds of HK\$1,920,000 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK\$46,080,000, before issuing expenses, were credited to share premium account.

## 22. SHARE OPTION SCHEME

On 10 September 2015, the Company conditionally adopted a share option scheme (the "Scheme") pursuant to a resolution passed by its shareholders on 10 September 2015, for the primary purpose of providing incentives or rewards to eligible employees (including the executive, non-executive and independent non-executive directors of the Company) and other selected participants. The adoption of the Scheme became unconditional upon the listing of the Company on 25 September 2015.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the total number of shares in issue on the date of listing on the Stock Exchange, without prior approval from the Company's shareholders. The Company may, subject to the issue of a circular, the shareholders' approval in general meeting and/or such other requirements prescribed under the Rules Governing the Listing of Securities on GEM of the Stock Exchange, refresh this limit at any time to 10% of the total number of shares in issue as at the date of the shareholders' approval. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of their respective associates as defined under the Scheme which would result in the shares issued and to be issued upon exercise of all options under the Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant represent in aggregate in excess of 0.1% of the Company's issued share capital or with an aggregate value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 22. SHARE OPTION SCHEME (CONTINUED)

Options granted must be taken up within 21 days of the date of the offer grant. A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the directors of the Company but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share. No share option has been granted since the adoption of the Scheme.

## 23. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 20, net of cash and cash equivalent, and equity attributable to owners of the Group, comprising issued share capital and accumulated profits.

The directors of the Company reviews the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendation of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends or new share issues as well as the issue of new debts and redemption of existing debts.

## 24. FINANCIAL INSTRUMENTS

### 24a. Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	<b>83,878</b>	87,322
<b>Financial liabilities</b>		
Amortised cost	<b>29,804</b>	24,694

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a director, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a related company, bank borrowings and bank overdrafts.

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The director of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits and bank borrowings. The Group currently does not have an interest rate hedging policy.

The Group is also exposed to cash flow interest rate risk mainly in relation to bank balances and variable rate bank borrowings (see note 20 for details of these borrowings) and bank overdrafts, which are arranged at floating rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on HIBOR and Hong Kong Prime Rate arising from the Group's bank borrowings and bank overdrafts.

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of bank balances, bank borrowings and bank overdrafts outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points (2014: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on variable rate bank borrowings and bank overdrafts had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2015 would be decreased/increased by approximately HK\$37,000 (2014: profit would be increased/decreased by HK\$142,000). The impact of bank balances is insignificant.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24b. Financial risk management objectives and policies (continued)

#### *Credit risk*

As at 31 December 2015 and 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the directors of the Company review the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 December 2015 on trade and retention receivables from the Group's 5 major customers amounting to HK\$23,379,000 (2014: HK\$26,217,000) and accounted for 41.0% (2014: 64.2%) of the Group's total trade and retention receivables. The major customers of the Group are certain reputable organisations. The directors of the Company consider that the credit risk is limited in this regard.

Other than concentration of credit risk on trade and retention receivables, the Group had concentration of credit risk on amount due from a director as at 31 December 2014. As at 31 December 2014, amount due from a director amounted to HK\$10,711,000. Details are set out in note 17.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group is exposed to concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings.

#### *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 fluctuations in cash flows. The directors of the Group believes that the Group will have sufficient working capital for its future operational requirement.

The Group relies on bank borrowings as a significant source of liquidity. The Group has available unutilised banking facilities of approximately HK\$8,382,000 (2014: HK\$10,146,000) as at 31 December 2015, in which HK\$6,772,000 (2014: HK\$9,946,000) can only be utilised by issuance of performance bond by the bank in relation to building services engineering projects.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24b. Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

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

Liquidity and interest risk table

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2015 HK\$'000
<b>31 December 2015</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	7,225	13,089	588	-	20,902	20,902
Amount due to a related party	-	1	-	-	-	1	1
Bank overdrafts	7.25	5,311	-	-	-	5,311	5,311
Variable rate bank borrowings	6.5	3,590	-	-	-	3,590	3,590
		<b>16,127</b>	<b>13,089</b>	<b>588</b>	<b>-</b>	<b>29,804</b>	<b>29,804</b>

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2014 HK\$'000
<b>31 December 2014</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	3,952	11,563	819	-	16,334	16,334
Amount due to a related party	-	211	-	-	-	211	211
Fixed rate bank borrowings (note a)	3.25	641	-	-	-	641	641
Variable rate bank borrowings (note a)	2.03	6,922	-	-	-	6,922	6,922
Bank overdrafts	7.25	586	-	-	-	586	586
		<b>12,312</b>	<b>11,563</b>	<b>819</b>	<b>-</b>	<b>24,694</b>	<b>24,694</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24b. Financial risk management objectives and policies (continued)

Note:

- a. Bank borrowings with a repayment on demand clause were included in the 'On demand or less than 1 month' time band in the above maturity analysis. As at 31 December 2015, the aggregate carrying amounts of these bank borrowings amounted to HK\$3,590,000 (2014: HK\$7,563,000). Taking into account the Group's financial position, the directors of the Company did not believe that it is probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors of the Company believed that such bank borrowings would be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows (estimated based on the interest rate at the end of the reporting period) were set out below.

b.

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>31 December 2015</b>								
Variable rate bank borrowings	6.50	3,647	-	-	-	-	3,647	3,590

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>31 December 2014</b>								
Fixed rate bank borrowings	3.25	129	259	256	-	-	644	641
Variable rate bank borrowings	2.03	63	127	570	2,606	4,611	7,977	6,922
		192	386	826	2,606	4,611	8,621	7,563

The amounts included above for variable interest rate instruments for non-derivative financial liabilities were subject to change if changes in variable interest rates differ to those estimates of interest rates determined based on the interest rate as at the end of each reporting period.

### 24c. Fair values

The fair values 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 all financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 25. OPERATING LEASE ARRANGEMENT

The Group as lessee had made minimum lease payments of HK\$595,000 (2014: HK\$432,000), under operating leases during the year ended 31 December 2015 in respect of warehouses and office premises.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with LKW Company Limited ("LKWC"), a wholly-owned subsidiary of Golden Luck, in respect of warehouses and office premises (as detailed in note 28(i)) which fall due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	933	–
In the second to fifth year inclusive	933	–
	<b>1,866</b>	–

Leases are negotiated for an average term of 2.5 years and rentals are fixed for an average of 2.5 years.

## 26. RETIREMENT BENEFITS PLANS

The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK\$1,500 per month (from HK\$1,250 to HK\$1,500 per month with effect of 1 June 2014) or 5% of the relevant payroll costs to the MPF Scheme.

The total cost charged to profit or loss of approximately HK\$1,105,000 (2014: HK\$990,000) represents contributions paid or payable to the MPF Scheme by the Group. As at 31 December 2015, contribution of approximately HK\$175,000 (2014: HK\$159,000) due in respect of the corresponding reporting periods had not been paid over to the MPF Scheme.

At the end of each reporting period, there were no forfeited contributions which arose upon employees leaving the MPF Scheme prior to their interests in the Group's contribution becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

## 27. PLEDGE OF ASSETS

At the end of each reporting period, the carrying amounts of the assets pledged by the Group to banks in order to secure banking facilities granted by these banks to the Group are as follows:

	2015 HK\$'000	2014 HK\$'000
Property, plant and equipment	–	4,403
Deposit paid for a life insurance policy	–	1,117
Pledged bank deposits	<b>18,000</b>	–
	<b>18,000</b>	5,520

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 28. RELATED PARTY DISCLOSURES

### (i) Transactions

The Group entered into the following transaction with its related parties:

Related parties	Nature of transactions	2015 HK\$'000	2014 HK\$'000
Kin Kwan	Sub-contracting expense from building services engineering contracts	277	5,399
LKW Company Limited	Rental expense	217	–
Mr. Wong and Ms. So	Interim dividend	31,700	5,100
	Rental expense	448	432

In addition, Mr. Wong and Ms. So had provided certain properties and personal guarantees for unlimited amounts to banks to secure the banking facilities granted to the Group. Details are disclosed in note 20. All of these securities were released during the year ended 31 December 2015.

On 29 May 2015, each of Lap Kei and Wealth E & M entered into a separate sales and purchase agreement with LKWC to dispose of their leasehold land and buildings at a total consideration of HK\$12,600,000. The transactions were completed on 13 July 2015 and the gain on disposal amounting to HK\$8,269,000, representing the difference between the total consideration of HK\$12,600,000 and the aggregate carrying amounts of the leasehold land and buildings of HK\$4,331,000 as at the date of disposal. Subsequent to the disposals, each of Lap Kei and Wealth E & M entered into an agreement with LKWC to lease back the leasehold land and buildings under an operating lease arrangement with a lease term of 2.5 years.

On 25 September 2015, 128,000,000 ordinary shares ("Sale shares") of HK\$0.01 each of the Company were sold by Golden Luck to professional, institutional or private investors at a price of HK\$0.25 by way of placing. The corresponding listing expenses amounting to HK\$1,296,000 in connection with the sale of the Sale shares were borne by the Group on behalf of Golden Luck and that the listing expenses were treated as deemed distribution to Golden Luck and debited to accumulated profits.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 28. RELATED PARTY DISCLOSURES (CONTINUED)

### (ii) Balances

Details of the balances with related parties are set out in the consolidated statement of financial position and note 17.

### (iii) Compensation of key management personnel

	2015 HK\$'000	2014 HK\$'000
Salaries and other allowances	2,152	1,734
Performance related bonus	2,500	–
Retirement benefit scheme contributions	36	34
	<b>4,688</b>	1,768

The remuneration of key management personnel is determined with regard to the performance of the individuals and market trends.

## 29. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2015, dividend amounting to HK\$4,911,000 (2014: HK\$5,100,000) was settled through the current account with a director.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 30. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2015 and 2014 were as follows:

Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital	Equity interest attributable to the Group as at 31 December		Principal activities
			2015	2014	
LKW Enterprise*	British Virgin Island 19 March 2015	United States dollars 100	100%	N/A	Investment holding
Lap Kei	Hong Kong 22 December 1997	HK\$600,000	100%	100%	Building services engineering
Wealth E & M	Hong Kong 30 April 2004	HK\$10,000	100%	100%	Building services engineering

\* Directly held by the Company

Each of the Company and its subsidiaries has adopted 31 December as its financial year end date.

None of the subsidiaries had any debt securities outstanding at the end of the each reporting period or at any time during both years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 31. FINANCIAL INFORMATION OF THE COMPANY

	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSET		
Investment in a subsidiary	48,969	–
Amount due from a subsidiary	27,054	–
	<b>76,023</b>	–
CAPITAL AND RESERVE		
Share capital	12,800	–
Reserves (note)	63,223	–
<b>TOTAL EQUITY</b>	<b>76,023</b>	–

Note: Reserves

	Share premium HK\$'000	Merger reserve HK\$'000 (Note)	Accumulated losses HK\$'000	Total HK\$'000
At 29 April 2015 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the year	–	–	(9,769)	(9,769)
Issue of shares pursuant to the listing of the Company	46,080	–	–	46,080
Capitalisation issue of shares	(10,880)	–	–	(10,880)
Effect of the Corporate Reorganisation	–	43,433	–	43,433
Expenses incurred in connection with issue of new shares	(4,345)	–	–	(4,345)
Deemed distribution to a shareholder	–	–	(1,296)	(1,296)
<b>At 31 December 2015</b>	<b>30,855</b>	<b>43,433</b>	<b>(11,065)</b>	<b>63,223</b>

Note: Merger reserve represented the difference between the aggregated share capital of the relevant subsidiaries (which were transferred from Mr. Wong and Ms. So (defined in note 9) to LKW Enterprise Limited ("LKW Enterprise") pursuant to the Corporate Reorganisation, as set out in note 1) and the newly issued share capital of LKW Enterprise.

# FINANCIAL SUMMARY

For the three years ended 31 December 2013, 2014 and 2015

## RESULTS

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Revenue	145,505	135,493	<b>187,794</b>
Profit before taxation	20,484	29,040	<b>18,883</b>
Income tax expense	(3,621)	(4,787)	<b>(4,369)</b>
Profit and total comprehensive income for the year	16,863	24,253	<b>14,514</b>

## ASSETS AND LIABILITIES

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Total assets	72,730	118,672	<b>140,939</b>
Total liabilities	(34,557)	(61,346)	<b>(58,440)</b>
Net assets	38,173	57,326	<b>82,499</b>