



# Super Strong Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 8262**

**2016/17**  
ANNUAL REPORT

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

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

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*This report, for which the directors (the “Directors”) of Super Stong 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.*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Kwok Tung Keung (*Chairman and Chief Executive*)

Mr. Chan Siu Kay, Francis

Mr. Lee Kin Kee (*redesignated from a Non-executive Director on 1 August 2016*)

### Independent Non-Executive Directors

Mr. Li Kar Fai Peter

Mr. So Chi Wai

Ms. Wong Shuk Fong

## BOARD COMMITTEE

### Audit Committee

Mr. Li Kar Fai Peter (*Chairman*)

Mr. So Chi Wai

Ms. Wong Shuk Fong

### Remuneration Committee

Ms. Wong Shuk Fong (*Chairman*)

Mr. Li Kar Fai Peter

Mr. So Chi Wai

Mr. Kwok Tung Keung

### Nomination Committee

Mr. Kwok Tung Keung (*Chairman*)

Mr. Li Kar Fai Peter

Ms. Wong Shuk Fong

## COMPANY SECRETARY

Mr. Chan Yat Lui (*Certified Public Accountant*)

## AUTHORISED REPRESENTATIVES

Mr. Kwok Tung Keung

Mr. Chan Yat Lui (*Certified Public Accountant*)

## AUDITOR

Deloitte Touche Tohmatsu

*Certified Public Accountants*

## COMPLIANCE ADVISER

Titan Financial Services Limited

## LEGAL ADVISER

As to Hong Kong Law

Hui & Lam

*Solicitors, Hong Kong*

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

Maples Corporate Services Limited

PO Box 309, Umland House

Grand Cayman KY1-1104

Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit D, 3/F., Freder Centre

3 Mok Cheong Street, Tokwawan

Kowloon, Hong Kong

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

Maples Fund Services (Cayman) Limited

PO Box 1093

Boundary Hall

Cricket Square Grand Cayman KY1-1102

Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited

Suites 3301-04, 33/F.

Two Chinachem Exchange Square

338 King's Road, North Point

Hong Kong

## PRINCIPAL BANKERS

Hang Seng Bank Limited

363 Nathan Road

Kowloon

Hong Kong

Bank of China (Hong Kong) Limited  
A18-20, Ground Floor, Kwai Chung Plaza  
7-11 Kwai Foo Road  
Kwai Chung  
New Territories Hong Kong

OCBC Wing Hang Bank Limited  
507 Nathan Road  
Kowloon  
Hong Kong

## COMPANY WEBSITE

[www.wmcl.com.hk](http://www.wmcl.com.hk)

(information of this website does not form part of this report)

## STOCK CODE

08262

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the “**Board**”) of 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 of the shares of the Company on GEM of the Stock Exchange (the “**Listing**”) on 30 March 2016 (the “**Listing Date**”).

## A NOTE OF APPRECIATION

The Company was successfully listed on GEM of the stock exchange on 30 March 2016. 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 30 June 2016, the Group maintained a stable turnover of approximately HK\$560.3 million as compared to approximately HK\$566.2 million for the year ended 30 June 2015. Due to the additional variation works and effective cost control of certain general building works projects, the Group's gross profit increased from approximately HK\$35.6 million for the year ended 30 June 2015 to approximately HK\$39.1 million for the year ended 30 June 2016.

The Group's profits attributable to shareholders decreased from approximately HK\$18.5 million for the year ended 30 June 2015 to approximately HK\$6.0 million for the year ended 30 June 2016. The decrease in profits attributable to shareholders was mainly due to the one-off listing expenses of approximately HK\$10.9 million (2015: Nil) incurred during the year ended 30 June 2016. Excluding this non-recurring expenses, the Group's profits would have been approximately HK\$16.9 million for the year ended 30 June 2016 (2015: approximately HK\$18.5 million).

## FORWARD

Looking ahead, the Group is positive about the prospects of the construction market and will continue to focus on our core business as a main contractor. In order to maximise the long term returns to our shareholders, the Group will devote more resources towards the development of our building contractor business. We are of the view that the enormous demand for properties in Hong Kong is the key driver for the growth of the Hong Kong building industry.

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.

**Super Stong Holdings Limited**  
**Kwok Tung Keung**  
*Chairman and Executive Director*

Hong Kong, 15 September 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in general building works and specialised building works in Hong Kong. We generate revenue by provision of general building works and specialised building works which are contracted by our customers on project basis.

The general building works undertaken by us refer to the construction works performed by us at construction sites for residential buildings, commercial buildings, industrial buildings and general superstructure erection, and also include (i) erection of architectural superstructures, and (ii) renovation, fitting out, alteration and addition works. We also undertake specialised building works, which comprise demolition, site formation and foundation works.

Looking forward, the Directors consider that the future opportunities which the Group faces will be affected by the condition of the property market in Hong Kong. The Directors are of the view that the enormous demand for properties in Hong Kong is the key driver for the growth of the Hong Kong building 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 enhancing our participation in undertaking construction works from both the private sector and the public sector; (ii) further strengthening our manpower through recruiting additional qualified and experienced staff; (iii) establishing an integrated management system for quality, environment, occupational health and safety management and (iv) further adhering our one-stop-shop strategy and prudent financial management.

## FINANCIAL REVIEW

### Revenue

Our revenue slightly decreased from approximately HK\$566.2 million for the year ended 30 June 2015 to approximately HK\$560.3 million for the year ended 30 June 2016, representing a drop of approximately 1.0%.

### Direct Cost

Our direct costs slightly decreased from approximately HK\$530.6 million for the year ended 30 June 2015 to approximately HK\$521.2 million for the year ended 30 June 2016, representing a decrease of approximately 1.8%. Such decrease was mainly attributable to the effect on our implementation of the cost control during the year ended 30 June 2016.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross Profit

Gross profit of the Group increased by approximately 9.8% from approximately HK\$35.6 million for the year ended 30 June 2015 to approximately HK\$39.1 million for the year ended 30 June 2016. The overall gross profit margin increased from approximately 6.3% for the year ended 30 June 2015 to approximately 7.0% for the year ended 30 June 2016. Such increase was mainly attributable to the additional variations works and effective cost control of certain general building works projects during the year ended 30 June 2016.

## Listing Expenses

During the year ended 30 June 2016, the Group recognised non-recurring Listing expenses of approximately HK\$10.9 million (2015: Nil) as expenses in connection with the Listing.

## Administrative Expenses

Administrative expenses of the Group increased by approximately 12.6% from approximately HK\$16.7 million for the year ended 30 June 2015 to approximately HK\$18.8 million for the year ended 30 June 2016. The increase was mainly attributable to the increase in auditor's remuneration and charitable donation during the year ended 30 June 2016.

## Income Tax Expense

Income tax expense of the Group increased by approximately 8.8% from approximately HK\$3.4 million for the year ended 30 June 2015 to approximately HK\$3.7 million for the year ended 30 June 2016. The increase was mainly due to the increase in our taxable profit primarily attributable to the inclusion of non-deductible expenses, e.g. the Listing expenses.

## Profit and Total Comprehensive Income for the year ended 30 June 2016 attributable to owners of the Company

Profit and total comprehensive income for the year attributable to owners of the Company decreased by approximately 67.6% from approximately HK\$18.5 million for the year ended 30 June 2015 to approximately HK\$6.0 million for the year ended 30 June 2016. Such decrease was primarily attributable to the net effect of (i) the Listing expenses and administrative expenses incurred by the Group for the year ended 30 June 2016; and (ii) the increase in gross profit for the year ended 30 June 2016. Excluding the one-off Listing expenses of approximately HK\$10.9 million (2015: Nil), profit and total comprehensive income for the year attributable to owners of the Company would reach approximately HK\$16.9 million (2015: approximately HK\$18.5 million), representing a decrease of approximately 8.6% compared to the year ended 30 June 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a sound financial position during the year ended 30 June 2016. As at 30 June 2016, the Group had bank balances and cash of approximately HK\$102.0 million (30 June 2015: approximately HK\$28.5 million) and pledged bank balances of approximately HK\$35.9 million (30 June 2015: approximately HK\$14.4 million). The total interest-bearing borrowings of the Group as at 30 June 2016 was approximately HK\$5.0 million (30 June 2015: approximately HK\$5.0 million), and the current ratio as at 30 June 2016 was approximately 2.1 times (30 June 2015: approximately 1.8 times).

As at 30 June 2016, the Group had total assets of approximately HK\$277.7 million (30 June 2015: approximately HK\$197.6 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$129.7 million (30 June 2015: approximately HK\$106.8 million) and approximately HK\$147.9 million (30 June 2015: approximately HK\$90.9 million), respectively.

## GEARING RATIO

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. As at 30 June 2016, the Group recorded gearing ratio of approximately 3.4% (30 June 2015: approximately 5.5%), which remained low as the Group had adequate bank balances and cash after the Listing.

## 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 ended 30 June 2016. 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 30 June 2016, the Group pledged its bank deposits to a bank of approximately HK\$35.9 million (30 June 2015: approximately HK\$14.4 million) as collateral to secure bank facilities granted to the Group.

As at 30 June 2016, the Group pledged its deposits paid for a life insurance policy with an aggregate net book value of approximately HK\$8.6 million (30 June 2015: approximately HK\$8.4 million) as collateral to secure bank facilities granted to the Group.

Save as disclosed above, 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 functional currency of all the group entities. For the year ended 30 June 2016, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign currency risk. 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 of the Stock Exchange on 30 March 2016. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 30 June 2016, the Company's issued share capital was HK\$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK\$0.01 each.

## COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises. The Group's operating lease commitments amounted to approximately HK\$2.8 million as at 30 June 2016 (30 June 2015: approximately HK\$2.1 million). As at 30 June 2016, the Group did not have any capital commitment (30 June 2015: Nil).

## SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on note 8 to the consolidated financial statements.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 17 March 2016 (the "Prospectus") and in this report, the Group did not have other plans for material investments or capital assets as of 30 June 2016.

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

During the year ended 30 June 2016, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures saved for those related to the Reorganisation (as defined under note 2 to the consolidated financial statements).

## CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any material contingent liabilities (30 June 2015: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group employed a total of 86 employees (30 June 2015: 72 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$31.0 million for the year ended 30 June 2016 (2015: approximately HK\$31.1 million).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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.

### **SIGNIFICANT INVESTMENTS HELD**

Except for investment in its subsidiaries, the Group did not hold any significant investments during the year ended 30 June 2016.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

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

- (i) We may not be able to sustain growth rate and profit margin similar to those we achieved in the past, or maintain our cash flow position or financial performance in the future
- (ii) Our business relies on successful tenders that determine the award of our projects contracts and is non-recurring in nature
- (iii) We rely on subcontractors to help complete our projects and to supply the machinery required
- (iv) The price of our variation works may not be clearly determined
- (v) We are exposed to our customers' credit risks and our liquidity position may be adversely affected if our customers fail to make payment on time or in full
- (vi) We rely on a limited number of major customers

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 unless obtained noise permit from Environmental Protection Department
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 30 June 2016, 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 ended 30 June 2016.

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

#### Customers

The Group provides general building and specialised building services to customers from both the public and private sectors in Hong Kong. The majority of our revenue was derived from projects for customers in the private sector, and our major customers include companies engaged in property investment and development, social service organisation. During the year ended 30 June 2016, the Directors consider that the Group does not rely on any single customer. The Group has had business relationship with most of the top 5 customers ranging from 1 year to over 10 years and is being invited to tender or quote from time to time.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Suppliers and Subcontractors

During the year ended 30 June 2016, the Group (i) purchased construction materials used in the construction sites from suppliers; (ii) purchased other miscellaneous goods for the construction sites from suppliers; and (iii) engaged subcontractors to perform the construction works to enable the Group to continue to carry on its business.

The Group maintains an internal list of approved subcontractors and suppliers, for each categories of building works and materials 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 ended 30 June 2016. The Group did not have any significant disputes with any of its top five suppliers and subcontractors during the year ended 30 June 2016.

## Employees

The Group recognises employees as valuable assets of the Group and during the year ended 30 June 2016, 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 ended 30 June 2016. The Directors also consider that the relationship and co-operation between the management team and the employees have been good during the year ended 30 June 2016.

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 17 March 2016 (the "Prospectus") with the Group's actual business progress for the period from the Listing Date to 30 June 2016 is set out below:

Business objective as stated in the Prospectus	Business strategy up to 30 June 2016 as stated in the Prospectus	Actual business progress up to 30 June 2016
Enhance our participation in undertaking construction works from both the private sector and the public sector	To undertake more general building works and specialised building works in Hong Kong, with HK\$1.3 million reserved for satisfying potential customers' requirement for performance bonds	A deposit of HK\$1.3 million was reserved for satisfying potential customers' requirement for performance bond for a new project located at Shun Ning Road in Hong Kong

## USE OF PROCEEDS

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK\$38.0 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 30 June 2016 is set out below:

Business strategy as stated in the Prospectus	Planned use of net proceeds as stated in the Prospectus up to 30 June 2016 HK\$'000	Planned use of net proceeds as stated in the Prospectus for the six months ended 31 December 2016 HK\$'000	Actual use of net proceeds up to 30 June 2016 HK\$'000
Further developing our general building and specialised building business (Note)	1,300	4,200	–
Further strengthening our manpower	–	700	154

Note: The performance bond of the new project located at Shun Ning Road in Hong Kong was issued by the bank on 5 August 2016 and the amount of HK\$1.3 million was fully paid to the bank on 1 August 2016.

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. Kwok Tung Keung (郭棟強) (“Mr. Kwok”)**, aged 57, is our Chairman, Chief Executive and executive Director. He was appointed as an executive Director and the chairman of the Board on 21 December 2015. Mr. Kwok is responsible for the financial and operational aspects of our Group, and is responsible for the formulation of business development strategies of our Group. He is the co-founder of WM Engineering, and founder of WM Foundation.

Mr. Kwok has over 30 years of experience in the civil engineering industry. Mr. Kwok gained sound knowledge in civil engineering and commercial management during his extensive experience in the field. Mr. Kwok joined WM Construction in July 1993 as a project manager. He was later appointed as the managing director of WM Construction from July 1999 onwards and finally became the sole shareholder of WM Construction on 30 April 2005.

Mr. Kwok also holds various posts in the construction and civil engineering industries. He is, currently, the President of the Hong Kong General Building Contractors Association, the President of the Hong Kong Society of Registered Safety Auditors and Review Officers, a member of the Building and Civil Engineering Training Board of the Vocational Training Council and a committee member of the Construction Industry Safety & Health Committee.

Mr. Kwok obtained a Bachelor of Science in Building Construction & Management degree from the University of Reading in the United Kingdom in July 1984.

**Mr. Chan Siu Kay Francis (陳紹基) (“Mr. Chan”)**, aged 45, is our executive Director. He was appointed as an executive Director on 21 December 2015. Mr. Chan is responsible for business development and monitoring of all projects within the Group.

Mr. Chan has about 20 years of experience in the civil engineering industry. He joined WM Construction as a Project Co-ordinator in November 1996. He is, currently, a general manager and director of both WM Construction and WM Engineering. He has extensive experience in project planning and monitoring, building construction and coordination, cost control, renovation and fitting-out work.

Mr. Chan obtained a Diploma in Building Studies from Morrison Hill Technical Institute in Hong Kong in August 1991, a Higher Diploma in Building from the City Polytechnic of Hong Kong in December 1994, a Bachelor of Science in Building Management degree from the University of Northumbria at Newcastle in the United Kingdom in June 1996, and a Master of Science in Construction and Real Estate degree from the Hong Kong Polytechnic University in November 2004. He was granted a Corporate Membership in the Building Discipline by the Hong Kong Institution of Engineers in February 2000, and a Professional Member of Asia Pacific Institute of Building in August 2004.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Lee Kin Kee** (李建基) (“**Mr. Lee**”), aged 52, was appointed as our non-executive Director on 21 December 2015 and re-designated as executive director on 1 August 2016. Mr. Lee is responsible for the supervision and improvement of the financial management of our Group.

Mr. Lee has 28 years of experience in audit, account and financial management working with one of the top international audit firms to big industrial companies holding senior management position with the respective companies..

Mr. Lee obtained a Diploma in Accounting from the Hong Kong Baptist College in December 1987, a Master’s degree in Business Administration from the University of Canberra in Australia in May 2001, and an Executive Diploma in Supply Chain & Logistics Management from the Chinese University of Hong Kong in September 2004. He was admitted as an associate member in the then Hong Kong Society of Accountants in February 1992, and became a fellow member thereof in October 2000.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Li Kar Fai Peter** (李嘉輝) ("Mr. Peter Li"), aged 51, was appointed as our independent non-executive Director on 9 March 2016.

Mr. Peter Li has over 20 years of experience in auditing, corporate finance and accounting. He worked with a number of listed companies in the past and held senior financial position with the respective companies, including Asia Aluminum Holdings Limited (a company listed on the Main Board: Stock code: 930), Inno-Tech Holdings Limited (a company listed on the GEM, stock code: 8202) as a financial controller and company secretary, the financial controller of Glory Flame Holdings Limited (a company listed on GEM, stock code: 8059) and an independent non-executive director of China Hanya Holdings Limited (formerly named as Brilliance Worldwide Holdings Limited) (a company listed on GEM, stock code: 8312). He is now an independent non-executive director of Asia Coal Limited (a company listed on the Main Board, stock code: 835) since March 2006.

Mr. Peter Li obtained a Bachelor of Arts in Accountancy degree from the City Polytechnic of Hong Kong in November 1992, and became an associate member of the then Hong Kong Society of Accountants since September 1997.

**Mr. So Chi Wai** (蘇志偉) ("Mr. So"), aged 58, was appointed as our independent non-executive Director on 9 March 2016.

Prior to joining our Group, Mr. So worked as Civil Engineering Graduate with the Lands and Works Branch of the Hong Kong Government from September 1981 to June 1983. From July 1983 to September 1990, he worked with the Geotechnical Engineering Office of the Government as an Assistant Geotechnical Engineer, and was promoted to the position of Geotechnical Engineer in June 1984. After furthering his studies from September 1990 to June 1991, he resumed his previous position with the Geotechnical Engineering Office from July 1991 to July 1995. From August 1995 to September 1996, he worked with Paul Tong & Associates as an Associate Director. From October 1996 until the present, he started his business, and has been a Director of Philip So & Associates Limited, which specialises in the provision of detailed design for high-rise building, facade system, steel structure, slopes, bridges, foundation, marine works, interim flood protection measures and other civil project and technical or geotechnical advice to clients including developers, architects and contractors.

Mr. So holds various professional qualifications in the geotechnical and civil engineering industries. He is, currently, a member of the Hong Kong Institution of Engineer, a Registered Structural Engineer, a Registered Geotechnical Engineer, and a Registered Inspector.

Mr. So obtained a Bachelor of Science degree from the University of Hong Kong in August 1981, and a Master of Science degree from the Imperial College in the United Kingdom in October 1991.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Ms. Wong Shuk Fong (黃淑芳) ("Ms. Wong")**, aged 33, was appointed as our independent non-executive Director on 9 March 2016. Ms. Wong joined China Baofeng (International) Limited (formerly named as Mastercraft International Holdings Limited) (a company listed on the Main Board, stock code: 3966) ("**China Baofeng**") as financial controller and company secretary in February 2011, and became an executive director of China Baofeng in July 2015.

Ms. Wong resigned from the positions of executive director and company secretary of China Baofeng in February 2016, and is currently a financial controller of Mastercraft International Limited, a subsidiary of China Baofeng.

From August 2006 to May 2010, Ms. Wong served with CCIF CPA Limited, had gained extensive experience in the audit field. During that time, Ms. Wong was involved in the handling of initial public offerings, auditing and substantial corporate transactions for listed companies in Hong Kong. In July 2010, she established her own business in Hong Kong of providing advice on tax matters, and assistance to listed companies in the preparation of public financial reports and corporate announcements.

Ms. Wong obtained a Bachelor of Business degree from the University of Technology, Sydney in May 2005, and a Master of Commerce in Accounting degree from the University of New South Wales in September 2006. She was accredited as a certified public accountant by CPA Australia and Hong Kong Institute of Certified Public Accountants in August 2010 and March 2015 respectively.

### SENIOR MANAGEMENT

The following are the senior management team of our Group:

**Mr. Wong Che Keung Andy (黃自強) ("Mr. Andy Wong")**, aged 49, joined WM Construction in August 1995 as a Quantity Surveyor. In June 1997, he left WM Construction temporarily, and re-joined WM Construction in March 2014 as a Contracts Manager.

Mr. Andy Wong has over 23 years of experience in surveying works. Mr. Andy Wong obtained a Bachelor of Science in Quantity Surveying degree from the London South Bank University in July 1994, and a Master of Science in Construction and Real Estate degree from the Hong Kong Polytechnic University in December 2007. He was elected a Professional Member of the Royal Institution of Chartered Surveyors in September 2007, was admitted as a Member of the Australian Institute of Building in September 2007, a Member of the Chartered Institute of Building in October 2007, a Member of Hong Kong Institute of Construction Managers in December 2008, was elected a Member of the Hong Kong Institute of Surveyors in July 2009, and became a Registered Professional Surveyor in October 2010.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Ms. Chan Ka Po Phoebe** (陳嘉寶) ("**Ms. Phoebe Chan**"), aged 44, joined WM Construction in June 2001 as a Senior Quantity Surveyor, and was promoted to the position of Quantity Surveying Manager in April 2007, and to the position of Chief Quantity Surveyor in November 2015.

Ms. Phoebe Chan has over 20 years of experience in surveying works. Ms. Phoebe Chan obtained a Bachelor of Science in Building Technology and Management degree from the Hong Kong Polytechnic in November 1994. She was elected a Member of the Hong Kong Institute of Surveyors in May 2006, a Professional Member of the Royal Institution of Chartered Surveyors in October 2006, and became a Registered Professional Surveyor in the Quantity Surveying Division in October 2007.

**Mr. Lee Kai Man** (李啟民) ("**Mr. K.M. Lee**"), aged 41, joined WM Construction in May 2001 as a Quantity Surveyor, and was promoted to the position of a Quantity Surveyor Manager in April 2012. He obtained a Higher Diploma in Building from the City University of Hong Kong in November 1997, and has over 17 years of experience in building works. Before joining our Group in May 2001, he served with Nishimatsu Construction Co., Ltd. as an Assistant Quantity Surveyor from September 1998 to May 2000. He served with To's Universe Construction Co., Ltd as a Quantity Surveyor from May 2000 to May 2001.

### COMPANY SECRETARY

**Mr. Chan Yat Lui** (陳溢磊) ("**Mr. Y.L. Chan**"), aged 32, joined our Company in January 2016.

He is, currently, our Company's financial controller, authorized representative and company secretary.

Mr. Y.L. Chan has over 10 years of experience in auditing and accounting. Mr. Y.L. Chan was admitted to the degree of Associate of Business Administration in Accountancy in the City University of Hong Kong in November 2005, He became a certified public accountant at the Hong Kong Institute of Certified Public Accountants in February 2010, and a Certified Tax Adviser of the Taxation Institute of Hong Kong in September 2010.

# 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 30 June 2016.

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 30 June 2016 (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. Further details of the board committees of the Company 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 six Directors, including three executive Directors and three independent non-executive Directors (the “INEDs”). In particular, the composition of the Board is set out as follow:

### Executive Directors

Mr. Kwok Tung Keung (Chairman and Chief Executive)

Mr. Chan Siu Kay Francis

Mr. Lee Kin Kee (redesignated from a non-executive director on 1 August 2016)

### Independent non-executive Directors

Mr. Li Kar Fai (initial term of two years since 30 March 2016)

Mr. So Chi Wai (initial term of two years since 30 March 2016)

Ms. Wong Shuk Fong (initial term of two years since 30 March 2016)

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 16.18 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.

Except for the deviation from CG Code provision A.2.1, the Company’s corporate governance practices have complied with the CG Code. Details of the continuing evolution of our corporate governance practices for the year ended 30 June 2016 are set out in the 2016 annual report. CG Code provision A.2.1 stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Kwok is the Chairman and the Chief Executive Officer of our Company. In view of Mr. Kwok has been operating and managing W.M. Construction Limited and W.M. Foundation Company Limited since 1999 and 2006 respectively, the Board believes that it is in the best interest of our Group to have Mr. Kwok taking up both roles for effective management and business development. Therefore our Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-caliber individuals, with three of them being Independent Non-executive Directors.

# CORPORATE GOVERNANCE REPORT

## Board and General Meetings

Since the Listing Date and up to 30 June 2016, one board meeting was held. The forthcoming annual general meeting which will be held on 12 December 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. Kwok Tung Keung	1/1
Mr. Chan Siu Kay, Francis	1/1
Mr. Lee Kin Kee	1/1
<b>Independent Non-Executive Directors</b>	
Mr. Li Kar Fai Peter	1/1
Mr. So Chi Wai	1/1
Ms. Wong Shuk Fong	1/1

## RELATIONSHIPS BETWEEN THE BOARD

Mr. Kwok is 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 ended 30 June 2016 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. Kwok Tung Keung	✓	✓
Mr. Chan Siu Kay, Francis	✓	✓
Mr. Lee Kin Kee	✓	✓
<b>Independent Non-Executive Directors</b>		
Mr. Li Kar Fai Peter	✓	✓
Mr. So Chi Wai	✓	✓
Ms. Wong Shuk Fong	✓	✓

## 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 9 March 2016 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 9 March 2016 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 9 March 2016 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.wmcl.com.hk](http://www.wmcl.com.hk)) 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. Li Kar Fai Peter (Chairman), Mr. So Chi Wai and Ms. Wong Shuk Fong, all being INEDs. Mr. Li Kar Fai Peter 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.wmcl.com.hk](http://www.wmcl.com.hk) 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 30 March 2016, 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. Li Kar Fai Peter ( <i>Chairman</i> )	1/1
Mr. So Chi Wai	1/1
Ms. Wong Shuk Fong	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; and
- (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 ended 30 June 2016.

### REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Ms. Wong Shuk Fong (Chairman), Mr. Li Kar Fai Peter, Mr. So Chi Wai and Mr. Kwok Tung Keung.

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.wmcl.com.hk](http://www.wmcl.com.hk) 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;



## CORPORATE GOVERNANCE REPORT

4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
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 30 March 2016, no Remuneration Committee meeting has been held during the Reporting Period. Subsequent to the end of the year ended 30 June 2016 and up to the date of this report, the first meeting of the Remuneration Committee was held on 15 September 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 9 to the consolidated financial statements.

### NOMINATION COMMITTEE

The Nomination Committee comprises three members, namely Mr. Kwok Tung Keung (Chairman), Mr. Li Kar Fai Peter and Ms. Wong Shuk Fong.

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.wmcl.com.hk](http://www.wmcl.com.hk) 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;

## CORPORATE GOVERNANCE REPORT

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.

The members of the Nomination Committee should meet at least once a year. Due to the fact that the Company was listed on 30 March 2016, no Nomination Committee meeting has been held during the Reporting Period. Subsequent to the end of the year ended 30 June 2016 and up to the date of this report, the first meeting of the Nomination Meeting was held on 15 September 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 30 June 2016, 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:

	<b>Fees paid/payable for the services rendered</b> HK\$'000
Statutory audit services	900
Non-audit services for acting as reporting accountant for the Listing and tax services	2,529

### COMPANY SECRETARY

Mr. Y. L. Chan was appointed as the company secretary of the Company on 1 January 2016. Please refer to the section "Biographical details of Directors and Senior Management" for his biographical information.

During the year ended 30 June 2016, Mr. Y. L. Chan has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

### COMPLIANCE OFFICER

Mr. Kwok Tung Keung, an executive Director, is the compliance officer of the Group. Please refer to the section "Biographical details of Directors and Senior Management" for his biographical information.

# CORPORATE GOVERNANCE REPORT

## 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.

## 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 ended 30 June 2016 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 Monday, 12 December 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.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS

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

Pursuant to Article 12.3 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 requisitionist(s) by the Company.

### Procedures for Shareholders' Nomination of Directors

Pursuant to Article 16.4 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 Unit D, 3/F, Freder Centre, 3 Mok Cheong Street, Tokwawan, Kowloon, 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.wmcl.com.hk](http://www.wmcl.com.hk) 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 THE DIRECTORS

The Directors hereby present their report and the audited consolidated financial statements for the year ended 30 June 2016.

### CORPORATE REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 September 2015.

In preparing for the Listing, the Group underwent the Corporate Reorganisation (as defined under note 2 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 14 December 2015.

Details of the Corporate Reorganisation are set out in note 2 to the consolidated financial statements. The shares of the Company were listed on GEM of the Stock Exchange with effect from 30 March 2016.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in the provision of general building works and specialised building works 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 34 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 30 June 2016.

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 11 of this annual report. This discussion forms part of this directors' report.

### SEGMENT INFORMATION

An analysis of the Group's performance for the year ended 30 June 2016 by operating segment is set out in note 8 to the consolidated financial statements.

# REPORT OF THE DIRECTORS

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 37 of this annual report.

During the year ended 30 June 2016 and prior to the Reorganisation, WM Construction declared and paid dividends of HK\$5,000,000 (2015: HK\$2,000,000) and WM Foundation declared and paid dividends of nil (2015: HK\$1,000,000) to the then existing shareholder Mr. Kwok. Before the Listing, another interim dividend of HK\$2.0 million was paid to its then shareholders in February 2016.

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2016.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 80 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 30 June 2016 in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements of this annual report.

## CHARITABLE DONATION

Charitable and other donations made by the Group during the year ended 30 June 2016 amounted to approximately HK\$1.1 million (2015: approximately HK\$0.5 million).

## SHARE CAPITAL

Details of the movements during the year ended 30 June 2016 in the share capital of the Company are set out in note 25 to the consolidated financial statements of this annual report.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 30 June 2016, 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\$42.3 million.

## SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 9 March 2016 (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 30 to the consolidated financial statements of this annual report.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 30 June 2016.

## REPORT OF THE DIRECTORS

### DISCLOSURE OF INTERESTS

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

As at 30 June 2016, the interests and short positions of the Directors and chief executives of the Company in the Shares, the underlying Shares and debentures of the Company and any of its associated corporations (within the meaning 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 was 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 Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

##### (i) Long positions in the Shares

Name of Director	Nature of interest	Number of the Shares held/ interested in	Percentage of shareholding
Mr. Kwok	Interest in controlled corporation (Note 1)	400,000,000	50%
Mr. Lee	Interest in controlled corporation (Note 2)	160,000,000	20%

Notes:

- Mr. Kwok beneficially owns 100% of the issued share capital of Best Brain Investments Limited ("**Best Brain**"). By virtue of the SFO, Mr. Kwok is deemed to be interested in the same number of the Shares held by Best Brain.
- Mr. Lee beneficially owns 100% of the issued share capital of Neo Paramount Limited ("**Neo Paramount**"). By virtue of the SFO, Mr. Lee is deemed to be interested in the same number of the Shares held by Neo Paramount.

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

Name of Director	Name of associated corporation	Nature of interest	Number of shares held/ interested in	Percentage of shareholding
Mr. Kwok	Best Brain	Beneficial owner	7,500	100%
Mr. Lee	Neo Paramount	Beneficial owner	50,000	100%

Save as disclosed above, as at 30 June 2016, none of the Directors nor chief executive of the Company has registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## REPORT OF THE DIRECTORS

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

So far as the Directors are aware, as at 30 June 2016, the following persons (other than the Directors or chief executive of the Company) or companies were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO, or 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	Nature of interest	Number of the Shares held/ interested in	Long/short position	Percentage of total issued share capital of the Company
Best Brain	Beneficial owner	400,000,000	Long	50%
Neo Paramount	Beneficial owner	160,000,000	Long	20%

Save as disclosed above, as at 30 June 2016, the Directors were not aware of any other persons or companies who had any interest or short position in the Shares or underlying Shares of the Company that was required to be 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.

### MAJOR CUSTOMERS

During the year ended 30 June 2016, the Group's five largest customers accounted for approximately 74.6% (2015: approximately 84.8%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 25.2% (2015: approximately 35.7%) 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 AND SUBCONTRACTORS

During the year ended 30 June 2016, the Group's five largest suppliers and subcontractors accounted for approximately 35.3% (2015: approximately 35.0%) of the total direct costs of the Group and the largest subcontractors of the Group accounted for approximately 16.6% (2015: approximately 10.6%) of the total direct costs.

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 and subcontractors.



# REPORT OF THE DIRECTORS

## DIRECTORS

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

### Executive Directors

Mr. Kwok Tung Keung (*Chairman*)

Mr. Chan Siu Kay, Francis

Mr. Lee Kin Kee

### Independent Non-Executive Directors

Mr. Li Kar Fai Peter

Mr. So Chi Wai

Ms. Wong Shuk Fong

Information regarding directors' emoluments is set out in note 9a 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 12 to 15 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a fixed term of three years commencing from the Listing Date until terminated by the Director or the Company in accordance with the terms of the agreement. Each INED was appointed under a letter of appointment for an initial term of two years commencing from the Listing Date unless terminated by either party in accordance with the terms thereof.

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.

## **REPORT OF THE DIRECTORS**

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

Pursuant to Article 16.18 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 16.2 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 16.2 and 16.18 of the Articles, all the Directors will retire at the forthcoming AGM and, being eligible, offer themselves for re-election at the forthcoming AGM.

### **MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS AND 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 ended 30 June 2016.

### **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 9(a) and 9(b), 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.

# REPORT OF THE DIRECTORS

## 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 30 June 2016.

## DEED OF NON-COMPETITION

The deed of non-competition dated 9 March 2016 has been entered into by Mr. Kwok and Best Brain, 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 ended 30 June 2016.

## INTEREST OF COMPLIANCE ADVISOR

As at 30 June 2016, as notified by the Company’s compliance advisor, Titan Financial Services Limited (the “**Compliance Advisor**”), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated on 16 December 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 30 June 2016.

## RELATED PARTY TRANSACTIONS

The related party transactions entered into the Group with Good Rise Engineering Limited (“**Good Rise**”) are set out in note 28 to the consolidated financial statements in this annual report.

## 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.

## REPORT OF THE DIRECTORS

### AUDITOR

The consolidated financial statements for the year ended 30 June 2016 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 30 June 2016 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.

### PERMITTED INDEMNITY PROVISIONS

Pursuant to the memorandum and article of association of the Company, the Directors and other officers, for the time being acting in relation to the affairs of the Company, shall be indemnified out of the assets the Company against all losses or liabilities incurred or sustained by his/her as a director, or other officer of the Company in defending any proceedings, whether civil or criminal in which judgement is given in his favour, or in which he is acquitted. Such permitted indemnity provision is currently in force and was in force throughout the financial year.

### 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 ended 30 June 2016.

### EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 30 June 2016 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 to be held on Monday, 12 December 2016, the register of members of the Company will be closed from Thursday, 8 December 2016 to Monday, 12 December 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, Union Registrars Limited at Suites, 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:30 p.m. on Wednesday, 7 December, 2016 December 2016.

On behalf of the Board  
**Super Stong Holdings Limited**  
**Kwok Tung Keung**  
*Chairman and Executive Director*

Hong Kong, 15 September 2016

# INDEPENDENT AUDITOR'S REPORT



德勤 • 關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

## TO THE MEMBERS OF SUPER STRONG HOLDINGS LIMITED

宏強控股有限公司

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

We have audited the consolidated financial statements of Super Strong Holdings Limited (the “**Company**”) set out on pages 37 to 79, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determines 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 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

## OPINION

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

15 September 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Revenue	8	<b>560,280</b>	566,194
Direct costs		<b>(521,225)</b>	(530,604)
Gross profit		<b>39,055</b>	35,590
Other income	10	<b>1,275</b>	3,184
Other gains and losses	10	<b>(758)</b>	–
Administrative expenses		<b>(18,817)</b>	(16,739)
Listing expenses		<b>(10,935)</b>	–
Finance costs – interest expense on bank borrowings		<b>(122)</b>	(132)
Profit before taxation	11	<b>9,698</b>	21,903
Income tax expense	12	<b>(3,688)</b>	(3,434)
Profit and total comprehensive income for the year, attributable to owners of the Company		<b>6,010</b>	18,469
Earnings per share Basic (HK cents)	14	<b>0.90</b>	3.85

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Plant and equipment	15	112	140
Deferred tax assets	12	112	112
Deposits and prepayments	17	8,824	8,430
		<b>9,048</b>	8,682
Current assets			
Trade receivables	16	64,471	69,466
Other receivables, deposits and prepayments	17	1,526	2,330
Amounts due from customers for contract work	18	64,772	73,103
Amount due from a related company	19	–	500
Amount due from a director	19	–	602
Pledged bank balances	20	35,877	14,414
Bank balances and cash	20	101,989	28,547
		<b>268,635</b>	188,962
Current liabilities			
Trade payables	21	24,804	17,924
Other payables and accrued charges	22	83,046	61,184
Amounts due to customers for contract work	18	6,383	13,785
Amount due to a director	19	–	570
Tax payable		8,777	6,595
Bank borrowings	23	5,000	5,000
Provisions	24	1,724	1,653
Financial guarantee liability	31	–	60
		<b>129,734</b>	106,771
Net current assets		<b>138,901</b>	82,191
Net assets		<b>147,949</b>	90,873
Capital and reserves			
Share capital	25	8,000	5,000
Reserves		139,949	85,873
Equity attributable to owners of the Company		<b>147,949</b>	90,873

The consolidated financial statements on pages 37 to 79 were approved and authorised for issue by the Board of Directors on 15 September 2016 and are signed on its behalf by:

**Kwok Tung Keung**  
DIRECTOR

**Chan Siu Kay Francis**  
DIRECTOR



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Share capital HK\$'000	Share premium HK\$'000	Capital contribution HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 July 2014	5,000	–	(2,591)	72,995	75,404
Profit and total comprehensive income for the year	–	–	–	18,469	18,469
Dividends paid (note 13)	–	–	–	(3,000)	(3,000)
At 30 June 2015	5,000	–	(2,591)	88,464	90,873
Profit and total comprehensive income for the year	–	–	–	6,010	6,010
Dividends paid (note 13)	–	–	–	(7,000)	(7,000)
Reorganisation (note a)	(5,000)	–	5,000	–	–
Contribution from a shareholder (note b)	–	–	10,000	–	10,000
Issue of shares upon placing (note 25)	1,600	51,200	–	–	52,800
Transaction costs directly attributable to issue of shares	–	(3,897)	–	–	(3,897)
Capitalisation Issue (note 25)	6,400	(6,400)	–	–	–
Deemed distribution arising from issue of financial guarantee to a related company (note 31)	–	–	(2,591)	–	(2,591)
Reversal of financial guarantee liability upon early termination of the guarantee (note 31)	–	–	1,754	–	1,754
As at 30 June 2016	8,000	40,903	11,572	87,474	147,949

Notes:

- (a) Amount represents the difference between the combined share capital of W.M. Construction Limited (“**WM Construction**”), W.M. Engineering Company Limited (“**WM Engineering**”) and W.M. Foundation Company Limited (“**WM Foundation**”), and that of the Company issued pursuant to a group reorganisation as stated in note 2.
- (b) Pursuant to a subscription agreement dated 28 July 2015 entered into among an independent third party (“**Pre-IPO Investor**”), Mr. Kwok Tung Keung (“**Mr. Kwok**”) and Best Brain Investments Limited (“**Best Brain**”), Best Brain allotted and issued 2,500 shares to the Pre-IPO Investor at a subscription price of HK\$10,000,000 and Best Brain contributed such amount to the Group.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	2016 HK\$'000	2015 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	9,698	21,903
Adjustments for:		
Depreciation of plant and equipment	74	175
Interest income	(325)	(333)
Financial guarantee income	(897)	(2,419)
Gain on disposal of plant and equipment	(5)	–
Finance costs	122	132
Operating cash flows before movements in working capital	8,667	19,458
Decrease (increase) in amounts due from/to customers for contract work, net	929	(4,870)
Decrease (increase) in trade receivables	4,995	(12,223)
Decrease (increase) in other receivables, deposits and prepayments	718	(143)
Decrease (increase) in amount due from a related company	500	(100)
Increase in trade payables	6,880	5,978
Increase in other payables and accrued charges	21,862	11,556
Increase in provisions	71	235
Cash generated from operations	44,622	19,891
Income tax paid	(1,506)	(2,793)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>43,116</b>	<b>17,098</b>
<b>INVESTING ACTIVITIES</b>		
Bank interest received	17	31
Purchase of plant and equipment	(46)	–
Proceeds from disposal of plant and equipment	5	–
Withdrawal of pledged bank balances	158,562	112,063
Placement of pledged bank balances	(180,025)	(111,844)
Advance to a director	–	(554)
Repayment from a director	602	451
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(20,885)</b>	<b>147</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	2016 HK\$'000	2015 HK\$'000
<b>FINANCING ACTIVITIES</b>		
Interest paid	(122)	(132)
Repayment of bank borrowings	–	(2,200)
Proceeds from issue of shares of the Company	52,800	–
Transaction costs directly attributable to issue of shares	(3,897)	–
Repayment to a director	(570)	–
Contribution from Best Brain	10,000	–
Dividends paid	(7,000)	(3,000)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>51,211</b>	<b>(5,332)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>73,442</b>	<b>11,913</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>28,547</b>	<b>16,634</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash</b>	<b>101,989</b>	<b>28,547</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 22 September 2015 and its shares are listed on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (“**the Stock Exchange**”) on 30 March 2016. The registered office of the Company is located at PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is located at Unit D, 3/F., Freder Centre, 3 Mok Chong Street, Tokwawan, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The Group’s principal activities are the provision of property construction services in Hong Kong.

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

## 2. GROUP REORGANISATION AND BASIS OF PRESENTATION

Before the completion of the reorganisation as mentioned below (the “**Reorganisation**”), WM Construction, WM Engineering and WM Foundation are wholly owned by Mr. Kwok, the director and controlling shareholder of the Company.

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

- (i) Best Brain was incorporated on 6 July 2015 as a limited liability company, with an authorised share capital of United States Dollar (“**US\$**”) 50,000 divided into 50,000 shares of US\$1 each. On 28 July 2015, 7,500 shares were allotted and issued to Mr. Kwok at par. On the same date, Best Brain issued 2,500 shares to the Pre-IPO Investor at a subscription price of HK\$10,000,000 pursuant to the subscription agreement.
- (ii) Focus Achieve Limited (“**Focus Achieve**”) was incorporated as a limited liability company, with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. 100 shares were allotted and issued to Best Brain at par on 28 July 2015. On the same date, Mr. Kwok transferred his entire shareholding in WM Foundation to Focus Achieve for HK\$1.
- (iii) Well Joint Limited (“**Well Joint**”) was incorporated as a limited liability company, with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. 100 shares were allotted and issued to Best Brain at par on 28 July 2015. On the same date, Mr. Kwok transferred his entire shareholding in WM Engineering to Well Joint for HK\$1.
- (iv) Focus Wealth Investments Limited (“**Focus Wealth**”) was incorporated as a limited liability company, with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. 100 shares were allotted and issued to Best Brain at par on 28 July 2015. On the same date, Mr. Kwok transferred his entire shareholding in WM Construction to Focus Wealth for HK\$1.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. GROUP REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

- (v) The Company was incorporated with limited liability on 22 September 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. 1 share was allotted and issued to Best Brain on the same date.
- (vi) On 14 December 2015, Best Brain transferred its entire equity interest in Focus Archive, Focus Wealth and Well Joint to the Company at an aggregate consideration of US\$300.
- (vii) On 17 December 2015, 399 additional shares of the Company were allotted and issued to Best Brain.
- (viii) On 18 December 2015, Best Brain swapped 100 shares of the Company with the Pre-IPO Investor for the 2,500 shares of Best Brain held by the Pre-IPO Investor. As a result, Best Brain and the Pre-IPO Investor held 300 shares and 100 shares of the Company, representing 75% and 25% of the then issued share capital of the Company respectively.
- (ix) On 9 March 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of 1,962,000,000 shares of HK\$0.01 each.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group and WM Construction, WM Engineering and WM Foundation are controlled by Mr. Kwok before and after the Reorganisation.

The consolidated financial statements are prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting Under Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 30 June 2016 and 2015 are prepared to present the results and cash flows of the companies now comprising the Group, as if the current group structure had been in existence throughout the two years ended 30 June 2015 and 2016. The consolidated statement of financial position of the Group as at 30 June 2015 has been prepared to present the financial position of the companies comprising the Group as if the current group structure had been in existence on 30 June 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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>1</sup>
HKFRS 15	Revenue from contracts with customers <sup>1</sup>
HKFRS 16	Leases <sup>4</sup>
Amendments to HKAS 1	Disclosure initiative <sup>3</sup>
Amendments to HKAS 7	Disclosure initiative <sup>5</sup>
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation <sup>3</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants <sup>3</sup>
Amendments to HKAS 27	Equity method in separate financial statements <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception <sup>3</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>1</sup>
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations <sup>3</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle <sup>3</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

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

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017.

### HKFRS 9 “Financial instruments”

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### HKFRS 9 “Financial instruments” (continued)

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under Hong Kong Accounting Standard (“HKAS”) 39 “Financial instruments: recognition and measurement”. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the opinion of the directors of the Company, the application of HKFRS 9 may result in early recognition of credit losses based on expected loss model in relation to the Group’s financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### HKFRS 16 “Leases”

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

The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s results but it is expected that certain portion of the lease commitments in future will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value under HKFRS 13 "Fair value measurement" is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

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

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

The principal accounting policies adopted are set out below.

### **Basis of consolidation**

The consolidated financial statements incorporate the consolidated 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Basis of consolidation (continued)**

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

### **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 control of the controlling entity.

The net assets of the combining entities or businesses are combined 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 30 June 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition

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

Revenue from construction contracts is recognised by reference to the stage of completion of the respective contracts. The Group's policy for recognition of revenue from construction services is described in the accounting policy for construction contracts below.

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

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

Service income is recognised when the services are provided.

### Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

### Impairment loss on 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment loss on assets (continued)

If the recoverable amount of an asset 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion that revenue recognised with reference to surveys of work performed to date relative to the estimated total contract revenue or the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

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

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### *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.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, payment for a life insurance policy, amounts due from a director and a related company, pledged bank balances and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables 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 loans and receivables**

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. They are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

### *Financial liabilities and equity instruments*

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

### **Equity instruments**

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

### **Financial liabilities**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised throughout the guarantee period on a straight-line basis.

### *Derecognition*

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

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

The Group derecognises financial liabilities when, and only when, the 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.

### Retirement benefits costs

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of the long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by the employees up to the end of each reporting period.

### 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.

Operating lease payments, of which the Group is the lessee, are recognised as an expense on a straight-line basis over the lease term.

### Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. 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 profit will be available against which those deductible temporary differences can be utilised. Such deferred 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.

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 assets to be recovered.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is 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 assets and liabilities 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 amounts of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

### Provisions

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

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

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on 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 the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following is the key assumption concerning the future, and other key source of estimation uncertainty at the end of each 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.

### Construction contracts

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

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

## 6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes bank borrowings as disclosed in note 23, and equity of the Group, comprising issued share capital and reserves.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issue of new shares, raise of new borrowings or repayment of existing borrowings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 7. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	211,875	122,821
Financial liabilities		
Amortised cost	112,850	84,678
Financial guarantee liability	–	60

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

The Group's financial instruments include trade receivables, other receivables and deposits, payment for a life insurance policy, amounts due from a director and a related company, pledged bank balances, bank balances and cash, trade payables, other payables and accrued charges, amount due to a director and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Currency risk*

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

As at 30 June 2016, the payment for a life insurance policy of HK\$8,149,000 (2015: HK\$7,962,000) is denominated in US\$. As at 30 June 2015, the pledged bank balances of HK\$10,320,000 were denominated in Renminbi ("RMB"). The Group has no material monetary asset denominated in RMB as at 30 June 2016. US\$ and RMB are the currencies other than the functional currencies of the respective group entities.

#### **Sensitivity analysis**

As a result of the volatile financial market, the directors of the Company determine a sensitivity rate of 10% (2015: 10%) for the purpose of assessing foreign currency risk against RMB. The sensitivity analysis includes outstanding RMB denominated monetary items. At 30 June 2015, where HK\$ strengthened/weakened by 10% against RMB, post-tax profit for the year would decrease/increase by approximately HK\$862,000. The directors of the Company consider that the Group has no significant exposure to currency risk against RMB as at 30 June 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 7. FINANCIAL INSTRUMENTS (CONTINUED)

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

*Currency risk (continued)*

#### **Sensitivity analysis (continued)**

The currency risk against US\$ is insignificant as US\$ is pegged to HK\$.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

*Interest rate risk*

The Group's cash flow interest rate risk primarily relates to payment for a life insurance policy (note 17), pledged bank balances and bank balances (note 20) as well as floating-rate bank borrowings (note 23), which mainly concentrate on the fluctuation of Hong Kong Interbank Offered Rate ("**HIBOR**").

The Group currently does not have interest rate hedging policy. However, the directors of the Company closely monitors the Group's exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

#### **Sensitivity analysis**

No sensitivity analysis is presented as the directors of the Company consider that the interest rate fluctuation on interest income or expenses on payment for a life insurance policy, pledged bank balances and bank balances, and bank borrowings, is minimal.

*Credit risk*

The Group's credit risk is primarily attributable to trade receivables, payment for a life insurance policy, pledged bank balances and bank balances.

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

Management adopted a policy on providing credit to new customers. A credit investigation, including assess to financial information, advice from business partners on the creditability of the potential customers and credit search, would be performed before providing credit to new customers. The level of credit granted must not exceed a predetermined level set by management. Credit evaluation is performed on a regular basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 7. FINANCIAL INSTRUMENTS (CONTINUED)

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

#### *Credit risk (continued)*

The Group has concentration of credit risks with exposure limited to certain customers. Top three customers amounting to HK\$35,784,000 (2015: HK\$39,918,000) representing approximately 56% (2015: approximately 57%) of the Group's trade receivables as at the end of the reporting period. The directors of the Company closely monitor the subsequent settlement from customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 30 June 2015, the Group had concentration of credit risk in respect of the amount due from a related company, an entity significantly influenced by Mr. Kwok (note 19). The amount was fully settled during the year ended 30 June 2016.

The credit risk for pledged bank balances, payment for a life insurance policy and bank balances is considered insignificant as such amounts are placed in banks with good reputations.

#### *Liquidity risk*

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, the Group's revolving bank loan is repayable on demand. The payment dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 7. FINANCIAL INSTRUMENTS (CONTINUED)

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

#### Liquidity risk (continued)

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	Total Undiscounted cash flows HK\$'000	Total Carrying amount HK\$'000
<b>As at 30 June 2016</b>					
<b>Non-derivative financial liabilities</b>					
Trade payables	N/A	–	24,804	24,804	24,804
Other payables and accrued charges	N/A	–	83,046	83,046	83,046
Bank borrowings	2.2	5,000	–	5,000	5,000
		5,000	107,850	112,850	112,850
<b>As at 30 June 2015</b>					
<b>Non-derivative financial liabilities</b>					
Trade payables	N/A	–	17,924	17,924	17,924
Other payables and accrued charges	N/A	–	61,184	61,184	61,184
Bank borrowings	2.2	5,000	–	5,000	5,000
Amount due to a director	N/A	570	–	570	570
Financial guarantee liability	N/A	45,000	–	45,000	60
		50,570	79,108	129,678	84,738

The amount included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

As at 30 June 2015, the amounts included above for financial guarantee contract are the maximum amounts the Group could be required to settle under the arrangement for the guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the each reporting period, management considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparty which guaranteed suffer credit losses. Details of the financial guarantee are set out in note 31.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 7. FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Fair value

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

## 8. REVENUE AND SEGMENT INFORMATION

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

### Geographical information

No geographical information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's plant and equipment amounting to HK\$112,000 (2015: HK\$140,000) as at 30 June 2016 are all physically located in Hong Kong.

### Information about major customers

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

	2016 HK\$'000	2015 HK\$'000
Customer A	57,397	202,413
Customer B	141,213	122,267
Customer C	56,374	81,991
Customer D	105,147	N/A*
Customer E	57,977	N/A*

\* Less than 10% of the Group's total revenue

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

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

Mr. Kwok was appointed as director of the Company on 22 September 2015. Mr. Chan Siu Kay Francis ("Mr. Chan") and Mr. Lee Kin Kee ("Mr. Lee") were appointed as directors of the Company on 21 December 2015. Mr. Li Kar Fai Peter ("Mr. Li"), Mr. So Chi Wai ("Mr. So") and Ms. Wong Shuk Fong ("Ms. Wong") were appointed as directors of the Company on 9 March 2016. Mr. Kwok and Mr. Chan were the directors of the group entities before they were appointed as the directors of the Company. The emoluments paid or payable to directors and chief executive of the Company are as follows:

	Executive directors		Non-executive director	Independent non-executive directors			Total HK\$'000
	Mr. Kwok	Mr. Chan	Mr. Lee	Mr. Li	Mr. So	Ms. Wong	
	HK\$'000 (notes i & ii)	HK\$'000 (note ii)	HK\$'000 (note iii)	HK\$'000	HK\$'000	HK\$'000	
<b>Year ended 30 June 2016</b>							
Fee	-	-	75	37	37	37	186
Other emoluments							
Salaries and other benefits	2,236	1,065	-	-	-	-	3,301
Performance and discretionary bonus (note iv)	360	140	-	-	-	-	500
Retirement benefit scheme contributions	18	18	-	-	-	-	36
<b>Total emoluments</b>	<b>2,614</b>	<b>1,223</b>	<b>75</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>4,023</b>

	Executive directors		Total HK\$'000
	Mr. Kwok	Mr. Chan	
	HK\$'000 (notes i & ii)	HK\$'000 (note ii)	
<b>Year ended 30 June 2015</b>			
Other emoluments			
Salaries and other benefits	1,800	840	2,640
Performance and discretionary bonus (note iv)	-	370	370
Retirement benefit scheme contributions	18	18	36
<b>Total emoluments</b>	<b>1,818</b>	<b>1,228</b>	<b>3,046</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

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

Notes:

- (i) Mr. Kwok acts as chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.
- (ii) The emoluments paid or payable to Mr. Kwok and Mr. Chan include emoluments for services as the employee/directors of the group entities prior to becoming the directors of the Company for the years ended 30 June 2016 and 2015.
- (iii) Mr. Lee was re-designated as the executive director of the Company on 1 August 2016.
- (iv) The performance and discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.
- (v) The emoluments of executive directors, including Mr. Kwok and Mr. Chan are mainly for their services in connection with the management of the affairs of the Company and the Group.
- (vi) The emoluments of non-executive director and independent non-executive directors, including Mr. Lee, Mr. Li, Mr. So and Ms. Wong are for their services as directors of the Company.

During both years, no emoluments was paid or payable by the Group to any directors of the Company as an inducement to join, or upon joining the Group or as compensation for loss of office. There is no arrangement under which a director has waived or agreed to waive any remuneration.

### (b) Employees' emoluments

The five highest paid individuals included Mr. Kwok and Mr. Chan whose emoluments are included in the disclosures in (a) above for both years. The emoluments of the remaining three (2015: three) individuals are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other benefits	2,782	2,712
Discretionary bonus	452	329
Contributions to retirement benefit scheme contributions	54	54
	<b>3,288</b>	3,095

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

### (b) Employees' emoluments (continued)

Their emoluments are within the following bands:

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

During both years, no emoluments was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10. OTHER INCOME AND OTHER GAINS AND LOSSES

	2016 HK\$'000	2015 HK\$'000
Other income:		
Bank interest income	17	31
Interest income on payment for a life insurance policy	308	302
Financial guarantee income	897	2,419
Rental income	53	432
	<b>1,275</b>	<b>3,184</b>
Other gains and losses:		
Gain on disposal of plant and equipment	5	–
Net foreign exchange loss	(763)	–
	<b>(758)</b>	<b>–</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 11. PROFIT BEFORE TAXATION

	2016 HK\$'000	2015 HK\$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	900	200
Directors' remuneration (note 9)	4,023	3,046
Other staff costs:		
Salaries and other benefits	26,091	27,077
Retirement benefits scheme contributions	894	976
Total staff costs	31,008	31,099
Lease payments under operating leases in respect of land and buildings	1,772	1,667

## 12. INCOME TAX EXPENSE

	2016 HK\$'000	2015 HK\$'000
Hong Kong Profits Tax – current tax	3,688	3,434

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

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

	2016 HK\$'000	2015 HK\$'000
Profit before taxation	9,698	21,903
Tax at the domestic income tax rate of 16.5% (2015: 16.5%)	1,600	3,614
Tax effect of expense not deductible for tax purpose	2,297	–
Tax effect of income not taxable for tax purpose	(202)	(458)
Others	(7)	278
Income tax expense	3,688	3,434

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 12. INCOME TAX EXPENSE (CONTINUED)

The following is the major deferred tax assets recognised:

	Accelerated accounting depreciation HK\$'000

At 1 July 2014, 30 June 2015 and 30 June 2016

112

## 13. DIVIDENDS

During the year ended 30 June 2016 and prior to the Reorganisation, WM Construction declared and paid dividends of HK\$5,000,000 (2015: HK\$2,000,000) and WM Foundation declared and paid dividends of nil (2015: HK\$1,000,000) to the then existing shareholder Mr. Kwok.

In addition, during the year ended 30 June 2016 and after the Reorganisation, the Company declared and paid dividends of HK\$2,000,000 to its then shareholder.

## 14. EARNINGS PER SHARE

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

### Earnings

	2016 HK\$'000	2015 HK\$'000
Earnings for the purpose of basic earnings per share attributable to owners of the Company	6,010	18,469

### Number of shares

	2016 '000	2015 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings for share	668,852	480,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 25) had been effective on 1 July 2014.

No diluted earnings per share is presented as there is no potential ordinary share outstanding during both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 15. PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>					
At 1 July 2014 and 30 July 2015	1,046	1,401	278	2,227	4,952
Additions	–	–	46	–	46
Disposals	–	–	–	(50)	(50)
At 30 June 2016	1,046	1,401	324	2,177	4,948
<b>DEPRECIATION</b>					
At 1 July 2014	1,046	1,401	278	1,912	4,637
Provided for the year	–	–	–	175	175
At 30 June 2015	1,046	1,401	278	2,087	4,812
Provided for the year	–	–	4	70	74
Eliminated on disposals	–	–	–	(50)	(50)
At 30 June 2016	1,046	1,401	282	2,107	4,836
<b>CARRYING AMOUNTS</b>					
At 30 June 2016	–	–	42	70	112
At 30 June 2015	–	–	–	140	140

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

Leasehold improvements	Over the shorter of the lease terms or useful lives of 4 years
Office equipment	4 years
Furniture and fixtures	4 years
Motor vehicles	4 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 16. TRADE RECEIVABLES

The Group grants credit terms of 30 to 60 days from the date of invoices on progress payments of contract works to its customers. An aged analysis of the trade receivables, presented based on the invoice date at the end of the reporting period, is as follows:

	2016 HK\$'000	2015 HK\$'000
0 – 30 days	51,110	31,564
31 – 60 days	753	11,088
61 – 90 days	2,990	15,056
91 – 180 days	3,011	7,473
Over 180 days	6,607	4,285
	<b>64,471</b>	69,466

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 80% (2015: approximately 60%) of trade receivables as at 30 June 2016, that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

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

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$12,608,000 (2015: approximately HK\$26,814,000) which are past due at the end of the reporting period, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the customers and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 193 days (2015: 114 days).

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

	2016 HK\$'000	2015 HK\$'000
61 – 90 days	2,990	15,056
91 – 180 days	3,011	7,473
Over 180 days	6,607	4,285
Total	<b>12,608</b>	26,814

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 16. TRADE RECEIVABLES (CONTINUED)

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

## 17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 HK\$'000	2015 HK\$'000
Deposits	1,191	1,080
Payment for a life insurance policy (note)	8,149	7,962
Other receivables	198	250
Prepayments and others	812	1,468
<b>Total</b>	<b>10,350</b>	10,760
Analysed for reporting purposes as:		
Non-current assets	8,824	8,430
Current assets	1,526	2,330
	<b>10,350</b>	10,760

Note: During the year ended 30 June 2014, the Group entered into a life insurance policy with an insurance company to insure a director of the Company. Under this policy, the Group is the beneficiary and policy holder and the total insured sum is US\$2,000,000. The Group is required to pay a single premium of US\$1,049,379 (equivalent to approximately HK\$8,139,000) to the insurance company at inception. The Group can, at any time, withdraw cash based on the account value of the policy ("Account Value") at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made between the 1st to 18th policy year, there is a specified amount of surrender charge deducted from Account Value. The insurance company will pay the Group a guaranteed interest rate of 4% per annum for the first year and a variable return per annum afterwards (with guaranteed minimum interest rate of 2%) during the effective period of the policy.

At the inception date, the gross premium paid by the Group included a fixed policy premium charge and a deposit. Monthly policy expense and insurance charges will be incurred over the insurance period with reference to the terms set out in the life insurance policy. The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the policy and the deposit placed is carried at amortised cost using the effective interest method.

In the view of the directors of the Company, the Group will not terminate the policy nor withdraw cash prior to the end of 18th policy year and the expected life of the policy remained unchanged since its initial recognition. The balance of the deposit of the life insurance policy is denominated in US\$, being a currency other than the functional currency of the relevant group entity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 18. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2016 HK\$'000	2015 HK\$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	<b>1,470,733</b>	1,176,425
Less: Progress billings	<b>(1,412,344)</b>	(1,117,107)
<b>Total</b>	<b>58,389</b>	59,318
Analysed for reporting purposes as:		
Amounts due from customers for contract work	<b>64,772</b>	73,103
Amounts due to customers for contract work	<b>(6,383)</b>	(13,785)
	<b>58,389</b>	59,318

Unbilled retention receivables of HK\$39,507,000 (2015: HK\$40,775,000) are included in the above contracts in progress as at 30 June 2016. Retention monies withheld by customers of contract works will be released after completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

## 19. AMOUNTS DUE FROM/TO RELATED PARTIES

### Amount due from a related company

The amount as at 30 June 2015 was unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 30 June 2016.

Details of the amount, which was of trade nature and aged within 30 days as at 30 June 2015, are as follows:

Name	As at 30 June		Maximum amount outstanding during the year ended 30 June	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Good Rise Engineering Limited ("Good Rise") (note)	-	500	500	2,200

Note: Mr. Kwok had 40% equity interest in Good Rise. On 17 November 2015, Mr. Kwok disposed of all his interests in Good Rise to an independent third party.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 19. AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

### Amount due from a director

Details of amount due from a director at 30 June 2015, which was unsecured, interest-free, repayable on demand and of non-trade nature, are as follows:

Name	As at 30 June		Maximum amount outstanding during the year ended 30 June	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Mr. Kwok	–	602	602	1,053

The amount was fully settled during the year ended 30 June 2016.

### Amount due to a director

The amount due to a director, Mr. Kwok, as at 30 June 2015, was unsecured, interest-free repayable on demand and of non-trade nature. The amount was fully settled during the year ended 30 June 2016.

## 20. PLEDGED BANK BALANCES/BANK BALANCES AND CASH

Pledged bank balances represent balances pledged to banks to secure the banking facilities (including the bank borrowings and performance guarantee) granted to the Group, and carry interest at prevailing market rate ranging from 0.01% to 1.15% (2015: 0.01% to 1.15%) per annum.

Bank balances and cash comprise of cash on hand and short term bank deposits with an original maturity of three months or less, and carry interest at prevailing market rate from 0.01% to 1.15% (2015: 0.01% to 1.15%) per annum.

## 21. TRADE PAYABLES

The credit period granted to the Group by suppliers and subcontractors is 30 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2016 HK\$'000	2015 HK\$'000
0 – 30 days	22,029	13,335
31 – 60 days	1,460	3,947
Over 60 days	1,315	642
	<b>24,804</b>	<b>17,924</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 22. OTHER PAYABLES AND ACCRUED CHARGES

	2016 HK\$'000	2015 HK\$'000
Accrued charges for construction	43,309	26,284
Other accrued charges	4,034	2,185
Retention payables (note)	35,703	32,715
	<b>83,046</b>	61,184

Note: Retention monies payable to sub-contractors of contract works will be released by the Group after completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

## 23. BANK BORROWINGS

	2016 HK\$'000	2015 HK\$'000
Revolving bank borrowings – repayable on demand	5,000	5,000

Revolving bank borrowings carry interest at one-month HIBOR plus 2.0% (2015: one-month HIBOR plus 2.0%) per annum.

The revolving bank borrowings and other bank facilities including performance guarantee are secured by:

- (i) the pledged bank balances of HK\$35,877,000 (2015: HK\$14,414,000);
- (ii) a deposit of a life insurance policy as disclosed in note 17;
- (iii) five properties owned by a related company, which is controlled by Mr. Kwok;
- (iv) project proceeds from certain construction contracts of the Group; and
- (v) unlimited personal guarantee by Mr. Kwok.

Subsequent to the end of the reporting period, the pledge of properties by a related company and personal guarantee by Mr. Kwok have been released.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 24. PROVISIONS

	Long service payments and annual leave HK\$'000
At 1 July 2014	1,418
Provided for the year	235
At 30 June 2015	1,653
Provided for the year	71
At 30 June 2016	1,724

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance. The provision represents management's best estimate of the probable future payments which have been earned by the employees from their services to the Group up to the end of each reporting period.

## 25. SHARE CAPITAL

The issued share capital as at 1 July 2014 and 30 June 2015 represented the combined share capital of WM Construction, WM Engineering and WM Foundation.

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

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 22 September 2015 (date of incorporation) (note i)	38,000,000	380
Increase on 9 March 2016 (note iii)	1,962,000,000	19,620
At 30 June 2016	2,000,000,000	20,000
Issued and fully paid:		
At 22 September 2015 (date of incorporation) (note i)	1	-
Issue of new shares on Reorganisation (note ii)	399	-
Capitalisation Issue (note iv)	639,999,600	6,400
Issue of new shares upon Listing (note v)	160,000,000	1,600
At 30 June 2016	800,000,000	8,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 25. SHARE CAPITAL (CONTINUED)

Notes:

- (i) On 22 September 2015, the Company was incorporated with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon its incorporation, one share was allotted at par and credited as fully paid.
- (ii) On 17 December 2015, to effect the Reorganisation, 399 shares were allotted, issued, credited as fully paid.
- (iii) Pursuant to the written resolutions passed by the shareholders on 9 March 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by creation of additional 1,962,000,000 ordinary shares of HK\$0.01 each which, upon issue, shall rank pari passu in all aspects with the existing issued ordinary shares.
- (iv) Pursuant to the written resolutions passed by the shareholders on 9 March 2016, a sum of HK\$6,400,000 standing to the credit of the share premium account of the Company was capitalised by paying up in full at par a total of 639,999,600 new shares (the "Capitalisation Issue").
- (v) On 30 March 2016, 160,000,000 shares were issued at HK\$0.33 per share for a total consideration of HK\$52,800,000.

All issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

## 26. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases for office premises with independent third parties, which fall due as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	1,700	1,912
In the second to fifth year inclusive	1,084	216
	<b>2,784</b>	2,128

Leases and rentals are negotiated and fixed for a term of one to two years with a renewal option for a further one to two years from the end of the leases but without a predetermined rental. The Group has no operating lease commitment with regards to the lease payments during the option period.

## 27. PLEDGE OF ASSETS

As at 30 June 2016, the Group has pledged the deposit placed for the life insurance policy and certain bank balances, details of which are disclosed in notes 17 and 20 respectively, to secure the bank borrowings and certain banking facilities granted to the Group. Also, the performance bonds granted by the banks are secured by the project proceeds from certain construction contracts of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 28. RELATED PARTY TRANSACTIONS

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

	2016 HK\$'000	2015 HK\$'000
Rental income from Good Rise	53	121
Subcontracting fee paid to Good Rise	33	7,524

The above transactions for the year ended 30 June 2016 with Good Rise include only those up to the date on which the relationship with Mr. Kwok ceased as referred to in note 19.

Details of the balances with a director and a related company at the end of the reporting period are disclosed in the consolidated statement of financial position and note 19.

In addition, during the years ended 30 June 2016 and 2015, the Group provided corporate guarantee to a bank for general banking facilities granted to a related company. Details are disclosed in note 31.

### Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 30 June 2016 and 2015 are as follows:

	2016 HK\$'000	2015 HK\$'000
Short-term benefits	3,987	3,010
Post-employment benefits	36	36
	4,023	3,046

## 29. RETIREMENT BENEFITS SCHEMES

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 29. RETIREMENT BENEFITS SCHEMES (CONTINUED)

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

The contributions paid and payable to the scheme by the Group are disclosed in note 11.

## 30. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**"), was adopted pursuant to a resolution passed on 9 March 2016 for the primary purpose of providing incentives to directors and eligible employees. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years.

Pursuant to the Scheme, the aggregate number of shares which may be issued upon exercise of all options to be granted under the Scheme, and other schemes offered by the Company, as from the date of adoption of the Scheme, shall not exceed 10% of the shares in issue on the listing date (i.e. 80,000,000 shares). The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme, and other schemes offered by the Company, shall not exceed 30% of the issued share capital of the Company from time to time. The total number of shares issued, and to be issued, upon exercise of options granted in accordance with the Scheme to each eligible participant in any 12-month period shall not exceed 1% of the issued share capital of the Company. The option shall remain open for acceptance by the eligible participant for a period of 14 days (exclusive of the date on which the letter containing the offer is delivered to the participant). HK\$1 shall be payable by the participants on acceptance of the offer of the Option. The exercisable period of the share options granted is determinable by the board of directors, but no later than 10 years from the date of grant of the options. The subscription price for the shares in respect of which options are granted is determinable by board of directors, but shall be no less than the highest of (1) the closing price of the Company's shares in the daily quotations sheet issued by the Stock Exchange on the date of grant of the option; (2) the average closing price of the Company's shares as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the date of grant of the option; and (3) the nominal value of the Company's shares on the date of grant of the option.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

No share options were granted, exercised, cancelled or lapsed under the Scheme during the year nor outstanding as at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 31. FINANCIAL GUARANTEE LIABILITY

	2016 HK\$'000	2015 HK\$'000
Financial guarantee liability	–	60

On 13 June 2014 and renewed on 9 July 2015, WM Construction has provided, in addition to the personal guarantee from Mr. Kwok, a corporate guarantee to Sino Image Limited (“**Sino Image**”) for a banking facilities of HK\$50,000,000, which are made available to WM Construction and Sino Image and any one of these entities can draw the facilities in full at any time. The fair value of the financial guarantee was arrived at on the basis of valuation carried out by Norton Appraisals Limited, independent qualified professional valuer not connected with the Group. The initial fair values of this financial guarantee as at 13 June 2014 and 9 July 2015 were HK\$2,591,000 and HK\$2,591,000, respectively, which were recognised as financial liability in the consolidated statement of financial position. As the cost of provision of the financial guarantee contract has not been received nor recharged to Sino Image by the Group, this constitutes a transaction with Mr. Kwok by virtue of in his capacity as owner of WM Construction. Hence, the fair value of the financial guarantee is deemed as distribution to the owners of the Company and charged to equity as a reduction of capital contribution reserve at the grant date. On 23 October 2015, the corporate guarantee was early released by the bank before maturity of the bank facilities. The remaining carrying amount of HK\$1,754,000 of the financial guarantee liability was credited to equity upon the release of guarantee. Sino Image did not utilise the banking facilities before the Group’s release of the guarantee.

## 32. CONTINGENT LIABILITIES

As at 30 June 2016, performance guarantee of approximately HK\$30,866,000 (2015: approximately HK\$20,052,000) were given by banks in favour of the Group’s customers as security for the due performance and observance of the Group’s obligations under the contracts entered into between the Group and their customers. The Group has contingent liabilities to indemnify the banks for any claims from customers under the guarantee due to the failure of the Group’s performance. The performance guarantee will be released upon completion of the contract works. The performance guarantees were granted under the banking facilities with details as set out in note 23.

At the end of both reporting periods, the directors of the Company do not consider it is probable that a claim will be made against the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016 HK\$'000
Non-current assets	
Investments in subsidiaries	2
Current assets	
Amounts due from subsidiaries	4,570
Bank balances and cash	47,187
	51,757
Current liabilities	
Other payables and accrued charges	1,486
Net current assets	50,271
	50,273
Capital and reserves	
Share capital	8,000
Reserves	42,273
	50,273

### Movement in the Company's reserves

	Share premium HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 22 September 2015 (date of incorporation)	–	–	–
Profit and total comprehensive income for the period	–	3,370	3,370
Issue of shares upon placing (note 25)	51,200	–	51,200
Transaction costs directly attributable to issue of shares	(3,897)	–	(3,897)
Capitalisation Issue (note 25)	(6,400)	–	(6,400)
Dividends paid (note 13)	–	(2,000)	(2,000)
At 30 June 2016	40,903	1,370	42,273



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 30 June 2016 are as follows:

Name of subsidiary	Place of incorporation and principal place of business	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Focus Achieve	British Virgin Islands ("BVI")/ Hong Kong	US\$100	100	–	Investment holding
Well Joint	BVI/Hong Kong	US\$100	100	–	Investment holding
Focus Wealth	BVI/Hong Kong	US\$100	100	–	Investment holding
WM Construction	Hong Kong	HK\$5,000,000	–	100	Building construction in Hong Kong
WM Engineering	Hong Kong	HK\$10	–	100	Construction and engineering works with focus on minor and supplementary works in Hong Kong
WM Foundation	Hong Kong	HK\$1	–	100	Construction and engineering works with focus on foundation and piling in Hong Kong

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

# FINANCIAL SUMMARY

## RESULTS

A summary of the results and assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements and the Prospectus is set out below.

	For the year ended 30 June		
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	<b>560,280</b>	566,194	425,359
Profit attributable to owners of the Company	<b>6,010</b>	18,469	12,544

## ASSETS AND LIABILITIES

	At 30 June		
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Total assets	<b>277,683</b>	197,644	165,783
Total liabilities	<b>(129,734)</b>	(106,771)	(90,379)
Total equity	<b>147,949</b>	90,873	75,404