



# Super Strong Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 8262**

# 2016/17

## Third Quarterly 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.**

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

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

## FINANCIAL HIGHLIGHT

- The Group's revenue amounted to approximately HK\$483.4 million for the nine months ended 31 March 2017, representing an increase of approximately HK\$66.0 million or 15.8% as compared with the nine months ended 31 March 2016.
- The loss and total comprehensive expense for the period of the Company is approximately HK\$1.7 million for the nine months ended 31 March 2017, representing a decrease of approximately HK\$4.2 million as compared with the nine months ended 31 March 2016, which was mainly due to the decrease in the group's overall gross profit margin.
- The Board did not recommend the payment of an interim dividend for the nine months ended 31 March 2017.

## THIRD QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 31 March 2017 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2016 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 31 March 2017

	Notes	Nine months ended 31 March	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>483,369</b>	417,353
Direct Costs		<b>(466,363)</b>	(387,887)
<b>Gross Profit</b>		<b>17,006</b>	29,466
Other income		<b>258</b>	1,200
Listing expenses		<b>–</b>	(10,968)
Administrative expenses		<b>(18,124)</b>	(14,495)
Finance costs		<b>(89)</b>	(87)
<b>(Loss) profit before tax</b>		<b>(949)</b>	5,116
Income tax expense	4	<b>(793)</b>	(2,658)
<b>(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company</b>		<b>(1,742)</b>	2,458
<b>(Loss) earnings per share</b>			
– Basic and diluted (HK cents)	6	<b>(0.22)</b>	0.39

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 March 2017

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital Contribution <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2016 (audited)	8,000	40,903	11,572	87,474	147,949
Loss and total comprehensive expense for the period	-	-	-	(1,742)	(1,742)
At 31 March 2017 (unaudited)	8,000	40,903	11,572	85,732	146,207
At 1 July 2015 (audited)	5,000	-	(2,591)	88,464	90,873
Adjustments arising from the reorganisation	(5,000)	-	5,000	-	-
Contribution from a shareholder	-	-	10,000	-	10,000
Issue of shares upon placing	1,600	51,200	-	-	52,800
Expenses incurred in connection with the issue of shares upon placing	-	(3,906)	-	-	(3,906)
Issue of shares by capitalisation of share premium account	6,400	(6,400)	-	-	-
Deemed distribution to shareholder arising from issue of financial guarantee to a related company	-	-	(2,591)	-	(2,591)
Reversal of financial guarantee liability upon early termination of the guarantee	-	-	1,754	-	1,754
Profit and total comprehensive income for the period	-	-	-	2,458	2,458
Dividend recognised as distribution (note 5)	-	-	-	(7,000)	(7,000)
At 31 March 2016 (unaudited)	8,000	40,894	11,572	83,922	144,388

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 31 March 2017*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 September 2015. The registered office of the Company is located at PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The headquarter and principal place of business of the Company in Hong Kong is located at Unit D, 3/F., Freder Centre, 3 Mok Chong Street, Tokwawan, Kowloon, Hong Kong.

Pursuant to the reorganisation of the Group (the “**Reorganisation**”) in connection with the listing of the shares of the Company (the “**Shares**”) on GEM (the “**Listing**”), the Company became the holding company of the companies comprising the Group on 14 December 2015. Details of the Reorganisation are set out in the prospectus of the Company dated 17 March 2016 (the “**Prospectus**”) under the section headed “History, Development and Reorganisation”.

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 unaudited condensed consolidated financial statements of the Group for the Relevant Period are presented in Hong Kong dollars (“**HK\$**”), which is the same functional currency of the Company.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the Relevant Period have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

The Group resulting from the Reorganisation is regarded as a continuing entity. The unaudited condensed consolidated financial statements have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger accounting under common control combination” issued by the HKICPA. Accordingly, the financial information relating to the comparative figures for the nine months ended 31 March 2016, are presented as if the current group structure had been in existence and remained unchanged throughout that period, or since their respective dates of incorporation, where this is a shorter period. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Relevant Period are consistent with those applied in the Group’s audited financial statements for the year ended 30 June 2016.

HKICPA has issued a number of new and amendments to HKFRSs that are first effective or available for early adoption for the Relevant Period. There have been no significant changes to the accounting policies applied in these financial statements for the Relevant Period presented as a result of these developments.

The unaudited condensed consolidated financial statements of the Group for the Relevant Period have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the Relevant Period have not been audited by the Company’s independent auditor, but have been reviewed by the Company’s audit committee.

The preparation of the unaudited condensed consolidated financial statements of the Group for the Relevant Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group’s accounting policies.

### 3. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable for services rendered by the Group to outside customers, less discount. Information reported to the Company's executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

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

- (i) General building works – provision of construction works for residential buildings, commercial buildings, industrial buildings and general superstructure erection, and include erection of architectural superstructures, renovation, fitting out, alteration and addition works and other related works
- (ii) Specialised building works – provision of construction works for demolition, site formation and foundation works

	<b>Nine months ended 31 March</b>	
	<b>2017 HK\$'000 (Unaudited)</b>	2016 HK\$'000 (Unaudited)
General building works	<b>440,778</b>	359,688
Specialised building works	<b>42,591</b>	57,665
	<b>483,369</b>	417,353



#### 4. INCOME TAX EXPENSE

	Nine months ended 31 March	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Hong Kong profits tax	793	2,658

Hong Kong profits tax has been provided at the rate of 16.5% based on the estimated assessable profits of the Group for the Relevant Period.

#### 5. DIVIDEND

The Board did not recommend the payment of an interim dividend for the Relevant Period.

During the nine months ended 31 March 2016 and prior to the Reorganisation, a wholly owned subsidiary of the Company has declared and paid total dividends of HK\$5,000,000 to its then shareholders. In addition, after the Reorganisation, the Company has declared and paid dividends of HK\$2,000,000 to its then shareholders.

## 6. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per Share is based on the following data:

	<b>Nine months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
(Loss) earnings for the purpose of calculating basic (loss) earnings per Share ((loss) profit and total comprehensive (expense) income for the period)	<b>(1,742)</b>	2,458
	<b>'000</b>	'000
<b>Number of Shares:</b>		
Weighted average number of ordinary Shares for the purpose of calculating basic (loss) earnings per Share	<b>800,000</b>	624,873

The number of ordinary Shares for the purpose of calculating basic (loss) earnings per Share has been determined on the assumption that the Reorganisation and the Capitalisation Issue as defined in the Prospectus had been effective on 1 July 2015.

No diluted (loss) earnings per Share was presented as there were no potential ordinary Shares in issue during the periods under review.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased from approximately HK\$417.4 million for the nine months ended 31 March 2016 to approximately HK\$483.4 million for the Relevant Period, representing a growth of approximately 15.8%. Such increase was mainly due to the increase in the revenue generated from general building works during the Relevant Period.

### Direct Costs

The Group's direct costs increased from approximately HK\$387.9 million for the nine months ended 31 March 2016 to approximately HK\$466.4 million for the Relevant Period, representing an increase of approximately 20.2%. Such increase was in line with the increase in revenue during the Relevant Period.

### Gross Profit

Gross profit of the Group decreased by approximately 42.4% from approximately HK\$29.5 million for the nine months ended 31 March 2016 to approximately HK\$17.0 million for the Relevant Period. The overall gross profit margin decreased from approximately 7.1% for the nine months ended 31 March 2016 to approximately 3.5% for Relevant Period. Such decrease was mainly attributable to decrease of contributions from major general building work projects which were substantially completed during the Relevant Period and decrease of gross profit margin of new projects during the Relevant Period, as a result of keen market competition.

### Other Income

The Group's other income amounted to approximately HK\$1.2 million and approximately HK\$0.3 million for the nine months ended 31 March 2016 and 2017 respectively, the decrease was mainly due to the decrease in financial guarantee income from approximately HK\$0.9 million for the nine months ended 31 March 2016 to HK\$ nil for the Relevant Period.

## **Administrative Expenses**

Administrative expenses of the Group increased by approximately 24.8% from approximately HK\$14.5 million for the nine months ended 31 March 2016 to approximately HK\$18.1 million for the Relevant Period. The increase was attributable to the increase in staff costs and the professional fee expenses during the Relevant Period.

## **Income Tax Expense**

Income tax expense for the Group decreased by approximately 70.4% from approximately HK\$2.7 million for the nine months ended 31 March 2016 to approximately HK\$0.8 million for the Relevant Period. The decrease was mainly due to the decrease in profit before tax, as a result of decrease in the Group's overall gross profit for the Relevant Period.

## **(Loss) Profit and Total Comprehensive (Expense) Income Attributable to Owners of the Company for the Period**

Loss and total comprehensive expense attributable to the owners of the Company for the period decreased by approximately 168.0% from a profit of approximately HK\$2.5 million for the nine months ended 31 March 2016 to a loss of approximately HK\$1.7 million for the Relevant Period. Such decrease was primarily attributable to the decrease in the Group overall gross profit margin during the Relevant Period.

## **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 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.

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.

Although the Group is well-positioned to compete against its competitors, market competition is particularly keen in the past nine months. The Group has taken up some new projects with relatively lower margin. Looking forward, based on the long-term relationship with customers and our Group's creditability in the market, we are confident that we could undertake some more new projects with better margins. Bearing in mind the associated risk and in consideration to maximize the returns to shareholders, the Directors may also consider other investment opportunities to broaden the base of return of the Group, although there is no fixed plan at this stage.

## DISCLOSURE OF INTERESTS

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

As at 31 March 2017, the interests and short positions of the Directors and chief executives of the Company in the Shares, the underlying Shares or debentures of the Company or 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 Tung Keung ("Mr. Kwok")	Interest in controlled corporation (Note 1)	300,000,000	37.50%
Mr. Lee Kin Kee ("Mr. Lee")	Interest in controlled corporation (Note 2)	160,000,000	20.00%
Mr. Ko Chun Hay Kelvin	Beneficial Owner	139,500,000	17.44%

*Notes:*

1. 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.
2. 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**

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

Save as disclosed above, as at 31 March 2017, 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.

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

So far as the Directors are aware, as at 31 March 2017, 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	300,000,000	Long	37.50%
Neo Paramount	Beneficial owner	160,000,000	Long	20.00%
Mr. Ko Chun Hay Kelvin	Beneficial Owner	139,500,000	Long	17.44%

Save as disclosed above, as at 31 March 2017, 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.

## COMPETING INTERESTS

During the Relevant Period, so far as the Directors are aware, none of the Directors or the controlling shareholders of the Company, neither themselves nor their respective close associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group, or any other conflict of interests which any such person has or may have with the Group.

## **INTEREST OF COMPLIANCE ADVISER**

As at 31 March 2017, as notified by the Company's compliance adviser, Titan Financial Services Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated on 16 December 2015, neither the Compliance Adviser nor any of its directors, employees or close associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Relevant Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE CODE**

During the Relevant Period, except for the deviation from CG Code provision A.2.1, the Company's corporate governance practices have complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. 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 Tung Keung 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.



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

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors (the “**Code of Conduct**”) on terms no less exacting than the required standards of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the Relevant Period.

## **DIVIDEND**

The Board did not recommend the payment of an interim dividend for the Relevant Period.

During the nine months ended 31 March 2016 and prior to the Reorganisation, a wholly owned subsidiary of the Company has declared and paid total dividends of HK\$5,000,000 to its then shareholders. In addition, after the Reorganisation, the Company has declared and paid dividends of HK\$2,000,000 to its then shareholders.

## **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.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 March 2017.

## AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) on 9 March 2016 with its written terms of reference in compliance with paragraphs C3.3 and C3.7 of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, nominate and monitor external auditors and to provide advices and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Mr. Sneddon Donald William, Mr. So Chi Wai and Ms. Wong Shuk Fong, all being independent non-executive Directors of the Company. Ms. Wong Shuk Fong currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed this report and the unaudited condensed consolidated financial statements of the Group for the Relevant Period and the effectiveness of internal control system.

By Order of the Board  
**Super Strong Holdings Limited**  
**Kwok Tung Keung**  
*Chairman and executive Director*

Hong Kong, 12 May 2017

*As at the date of this report, the executive Directors are Mr. Kwok Tung Keung and Mr. Chan Siu Kay Francis, Mr. Lee Kin Kee and Mr. Ko Chun Hay Kelvin; and the independent non-executive Directors are Mr. Sneddon Donald William, Mr. So Chi Wai and Ms. Wong Shuk Fong.*