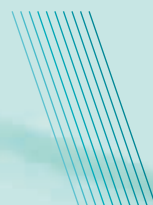


Super Strong Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8262

2017
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.

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.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Kwok Tung Keung (*Chairman and Chief Executive*)
Mr. Lee Kin Kee (redesigned from
a non-executive Director on 1 August 2016)
Mr. Ko Chun Hay Kelvin (appointed on 26 October 2016)
Mr. Chan Siu Kay Francis (resigned on 30 June 2017)

Independent Non-Executive Directors

Mr. So Chi Wai
Ms. Wong Shuk Fong
Mr. Donald William Sneddon (appointed on 3 April 2017)
Mr. Li Kar Fai Peter (resigned on 3 April 2017)

BOARD COMMITTEE

Audit Committee

Ms. Wong Shuk Fong (*Chairman*)
Mr. Li Kar Fai Peter (*Chairman*) (resigned on 3 April 2017)
Mr. So Chi Wai
Mr. Donald William Sneddon (appointed on 3 April 2017)

Remuneration Committee

Ms. Wong Shuk Fong (*Chairman*)
Mr. So Chi Wai
Mr. Kwok Tung Keung
Mr. Donald William Sneddon (appointed on 3 April 2017)
Mr. Li Kar Fai Peter (resigned on 3 April 2017)

Nomination Committee

Mr. Kwok Tung Keung (*Chairman*)
Ms. Wong Shuk Fong
Mr. Donald William Sneddon (appointed on 3 April 2017)
Mr. Li Kar Fai Peter (resigned on 3 April 2017)

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, Ugland 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
Bank of China (Hong Kong) Limited
OCBC Wing Hang Bank Limited
The Hong Kong and Shanghai Banking Corporation Limited

COMPANY WEBSITE

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 annual report of the Group to you.

REVIEW

For the year ended 30 June 2017, turnover of the Group increased to approximately HK\$651.4 million as compared to approximately HK\$560.3 million for the year ended 30 June 2016. However, due to decrease of gross profit margin of new projects as a result of market competition and increase of construction costs and labour costs, the Group's gross profit decreased from approximately HK\$39.1 million for the year ended 30 June 2016 to approximately HK\$29.3 million for the year ended 30 June 2017.

The Group's profits attributable to shareholders decreased slightly from approximately HK\$6.0 million for the year ended 30 June 2016 to approximately HK\$5.9 million for the year ended 30 June 2017. Excluding the one-off listing expenses of approximately HK\$10.9 million recorded during the year ended 30 June 2016, profit attributable to owners of the Company for the year ended 30 June 2017 decreased by approximately HK\$11.0 million. The decrease was mainly due to the decrease in gross profit as a result of market competition.

FORWARD

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 new projects with better margins. Other than to increase our market share, we are also considering to streamline our operation so as to improve the operation efficiency of our Group. 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.

APPRECIATION

On behalf of the Group, 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 Strong Holdings Limited
Kwok Tung Keung

Chairman and Executive Director

Hong Kong, 15 September 2017

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) maintaining 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 increased from approximately HK\$560.3 million for the year ended 30 June 2016 to approximately HK\$651.4 million for the year ended 30 June 2017, representing an increase of approximately 16.3%.

Direct Cost

Our direct costs increased from approximately HK\$521.2 million for the year ended 30 June 2016 to approximately HK\$622.1 million for the year ended 30 June 2017, representing an increase of approximately 19.4%. Such increase was in line with the increase in revenue and was mainly attributable to the increase in construction costs and labour costs during the year ended 30 June 2017.

Gross Profit

Gross profit of the Group decreased by approximately 25.1% from approximately HK\$39.1 million for the year ended 30 June 2016 to approximately HK\$29.3 million for the year ended 30 June 2017. The overall gross profit margin decreased from approximately 7.0% for the year ended 30 June 2016 to approximately 4.5% for the year ended 30 June 2017. Such decrease was mainly attributable to the decrease of gross profit margin of new projects due to market competition during the year ended 30 June 2017.

Administrative Expenses

Administrative expenses mainly consist of staff costs, donation and professional fees. Administrative expenses of the Group increased by approximately 18.1% from approximately HK\$18.8 million for the year ended 30 June 2016 to approximately HK\$22.2 million for the year ended 30 June 2017. The increase was mainly attributable to the increase in staff costs including directors' remunerations, donation and professional fees during the year ended 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

Income tax expense of the Group decreased by approximately 67.6% from approximately HK\$3.7 million for the year ended 30 June 2016 to approximately HK\$1.2 million for the year ended 30 June 2017. The decrease was mainly due to the decrease in our taxable profit.

Profit and Total Comprehensive Income for the year ended 30 June 2017 attributable to owners of the Company

Profit and total comprehensive income for the year attributable to owners of the Company decreased by approximately 1.7% from approximately HK\$6.0 million for the year ended 30 June 2016 to approximately HK\$5.9 million for the year ended 30 June 2017. Excluding the one-off listing expenses of approximately HK\$10.9 million recorded during the year ended 30 June 2016, profit attributable to owners of the Company for the year ended 30 June 2017 decreased by approximately HK\$11.0 million. The decrease was mainly due to the decrease in gross profit as a result of market competition. The decrease in the adjusted profit was primarily attributable to the combined effect of (i) the decrease in gross profit; and (ii) the increase in administrative expenses for the year ended 30 June 2017, which was offset by the decrease in income tax expenses.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a sound financial position during the year ended 30 June 2017. As at 30 June 2017, the Group had bank balances and cash of approximately HK\$71.8 million (30 June 2016: approximately HK\$102.0 million) and pledged bank balances of approximately HK\$77.7 million (30 June 2016: approximately HK\$35.9 million). The total interest-bearing borrowings of the Group as at 30 June 2017 was approximately HK\$5.0 million (30 June 2016: approximately HK\$5.0 million), and the current ratio as at 30 June 2017 was approximately 2.0 times (30 June 2016: approximately 2.1 times).

As at 30 June 2017, the Group had total assets of approximately HK\$304.7 million (30 June 2016: approximately HK\$277.7 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$150.8 million (30 June 2016: approximately HK\$129.7 million) and approximately HK\$153.9 million (30 June 2016: approximately HK\$147.9 million), respectively.

GEARING RATIO

The gearing ratio is calculated based on the total loans and borrowings (interest-bearing bank borrowings) divided by total equity as at the respective reporting date. As at 30 June 2017, the Group recorded gearing ratio of approximately 3.2% (30 June 2016: approximately 3.4%), 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 2017. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 30 June 2017, the Group pledged its bank deposits to a bank of approximately HK\$77.7 million (30 June 2016: approximately HK\$35.9 million) as collateral to secure bank 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.

As at 30 June 2017, the Group pledged its deposits paid for a life insurance policy with an aggregate net book value of approximately HK\$8.8 million (30 June 2016: approximately HK\$8.6 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.

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 2017, 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 (the “**Listing**”) on 30 March 2016 (the “**Listing Date**”). 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 2017, 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\$1.2 million as at 30 June 2017 (30 June 2016: approximately HK\$2.8 million). As at 30 June 2017, the Group did not have any capital commitment (30 June 2016: Nil).

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on note 6 to the consolidated financial statements of this annual report.

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 2017.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 30 June 2017, 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 of this annual report).

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 June 2017, performance guarantee of approximately HK\$58,893,000 (30 June 2016: HK\$30,866,000) are 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 for construction work. 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed a total of 80 employees (30 June 2016: 86 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$34.5 million for the year ended 30 June 2017 (30 June 2016: approximately HK\$31.0 million).

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

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries, the Group did not hold any significant investments during the year ended 30 June 2017.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2017.

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 2017, 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.

Suppliers and Subcontractors

During the year ended 30 June 2017, 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 2017. The Group did not have any significant disputes with any of its top five suppliers and subcontractors during the year ended 30 June 2017.

Employees

The Group recognises employees as valuable assets of the Group and during the year ended 30 June 2017, 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 2017. 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 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 June 2017 is set out below:

Business objective as stated in the Prospectus	Business strategy up to 30 June 2017 as stated in the Prospectus	Actual business progress up to 30 June 2017
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 approximately HK\$10.1 million reserved for satisfying potential customers' requirement for performance bonds	Deposits of approximately HK\$14.0 million was reserved for as cash collateral and securities satisfying potential customers' requirement for performance bonds for various projects
Application for the status in Group B in the category of buildings in the List of Approved Contractors for Public works	Application for the status in Group B in the category of buildings in the List of Approved Contractors for Public works	In consideration to the current market situation to assess the risk and returns of such application, the Directors consider that the margin of the potential projects in relation to the status is not attractive and decide to defer such application
Further strengthening the Group's manpower	To hire and employ a site foreman, a quantity surveyor or a senior accounting manager. To sponsor our staff to attend technical seminars and necessary trainings	The Group has employed a site foreman, a senior quantity surveyor and a senior accounting manager, etc and sponsored staff to attend seminars and training courses as demand fit
Improvement of computer equipment, system and software	To purchase and upgrade the computer equipment, system and software	The Group has purchased computers and electronic accessories and upgraded accounting system
Establishing an integrated management system for quality, environment, occupational health and safety management	To apply for the ISO 14000:2004 and OHSAS 18001:2007 certifications	The Group has successfully obtained these certifications

MANAGEMENT DISCUSSION AND ANALYSIS

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 planned usage of net proceeds as stated in the Prospectus and the actual utilisation of the net proceeds from the Listing up to 30 June 2017 are set out as below:

Business strategy as stated in the Prospectus	Planned use of net proceeds as stated in the Prospectus up to 30 June 2017 HK\$'000	Actual use of net proceeds up to 30 June 2017 HK\$'000
Further developing our general building and specialised building business	10,100	14,000
Application for promotion to the confirmation status in Group B in the category of buildings in the List of Approved Contractors for Public works	6,000	–
Further strengthening our manpower	1,400	1,800
Improvement of computer equipment, system and software	1,000	160
Establishing an integrated management system for environmental management, occupational health and safety management	500	114

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 58, 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 and director of WM Engineering, and founder and director of WM Foundation. Mr. Kwok is also a shareholder and director of Best Brain Investments Limited, the controlling shareholder of the Company, which is beneficially interested in approximately 37.5% of the total issued share capital of the Company as at 30 June 2017.

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. Ko Chun Hay Kelvin (高浚晞) (“Mr. Ko”), aged 53, is our executive Director. He was appointed as an executive Director on 26 October 2016. Mr. Ko is responsible for business development within the Group.

Mr. Ko holds a master degree of Science in Finance from the City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Chartered Institute of Management Accountants. He has over 25 years’ of experience in finance, auditing, taxation and management spanning a diverse range of businesses from manufacturing to property development group and has undertaken senior management roles in a few listed companies in the past 20 years.

Mr. Lee Kin Kee (李建基) (“Mr. Lee”), aged 53, 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 is also a shareholder and director of Neo Paramount Limited, which is beneficially interested in approximately 20.0% of the total issued share capital of the Company as at 30 June 2017.

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. Donald William Sneddon (邵廷文) (“**Mr. Sneddon**”), aged 54, was appointed as our independent non-executive Director on 3 April 2017.

Mr. Sneddon is a Certified Public Accountant and member of the Certified Public Accountants of Alberta and holds a Bachelor of Commerce degree from the University of Alberta in Canada. Mr. Sneddon has over 22 years of experience majoring in internal and external audit field and 8 years of experience in compliance which was gained by working in prestige international banks and one of the big four accounting firms. Mr. Sneddon currently works as consultant in Ho Sneddon Chow Certified Public Accountants Ltd.

Mr. So Chi Wai (蘇志偉) (“**Mr. So**”), aged 59, 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 34, 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 50, 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 45, 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 42, 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 33, 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 2017.

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 year ended 30 June 2017, to the best knowledge of the Board, except for the deviation from code provision A.2.1 of the Code, 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. Lee Kin Kee (redesigned from a non-executive Director on 1 August 2016)

Mr. Ko Chun Hay Kelvin¹ (appointed on 26 October 2016)

Mr. Chan Siu Kay Francis (resigned on 30 June 2017)

Independent non-executive Directors

Mr. So Chi Wai

Ms. Wong Shuk Fong

Mr. Donald William Sneddon¹ (appointed on 3 April 2017)

Mr. Li Kar Fai Peter (resigned on 3 April 2017)

Note:

1. Mr. Ko Chun Hay Kelvin and Mr. Donald William Sneddon are subject to re-election in the forthcoming AGM.

In compliance with rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board consisted of three INEDs during the year ended 30 June 2017, with at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise. During the year ended 30 June 2017 and up to 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 independent non-executive Directors, Mr. So Chi Wai and Ms. Wong Shuk Fong have entered into letters of appointment with the Company for a term of two years commencing from 30 March 2016. The independent non-executive Director, Mr. Donald William Sneddon has entered into a letter of appointment with the Company for a term of two years commencing from 3 April 2017. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our articles of association and the applicable GEM Listing Rules.

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 of the Code, the Company’s corporate governance practices have complied with the Code. 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 INEDs.

CORPORATE GOVERNANCE REPORT

Board and General Meetings

For the year ended 30 June 2017, 9 board meetings were held. The first annual general meeting of the Company was held on 12 December 2016 (the “2016 AGM”).

The attendance record of each Director at the Board meeting and the 2016 AGM is set out in the table below:

	Number of Attendance/ number of meetings (Note)	Attendance of the 2016 AGM
Executive Directors		
Mr. Kwok Tung Keung	9/9	1/1
Mr. Lee Kin Kee (redesigned from a non-executive Director on 1 August 2016)	9/9	0/1
Mr. Ko Chun Hay Kelvin (appointed on 26 October 2016)	5/5	1/1
Mr. Chan Siu Kay, Francis (resigned on 30 June 2017)	9/9	1/1
Independent Non-Executive Directors		
Mr. So Chi Wai	7/9	1/1
Ms. Wong Shuk Fong	9/9	0/1
Mr. Donald William Sneddon (appointed on 3 April 2017)	3/3	N/A
Mr. Li Kar Fai Peter (resigned on 3 April 2017)	7/7	0/1

Note: Attendances of the Directors during the year ended 30 June 2017 were made by reference to the number of such meeting(s) held during their respective tenures.

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 year ended 30 June 2017.

DIRECTORS’ CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Pursuant to the code provision A.6.5 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. 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.

CORPORATE GOVERNANCE REPORT

During the year ended 30 June 2017, 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.

The individual training record of each Director received during the year ended 30 June 2017 is summarised below:

	Attending training course(s) relevant to corporate governance	Reading materials relevant to corporate governance
Executive Directors		
Mr. Kwok Tung Keung	✓	✓
Mr. Lee Kin Kee (redesigned from a non-executive Director on 1 August 2016)	✓	✓
Mr. Ko Chun Hay Kelvin (appointed on 26 October 2016)	✓	✓
Mr. Chan Siu Kay, Francis (resigned on 30 June 2017)	✓	✓
Independent Non-Executive Directors		
Mr. So Chi Wai	✓	✓
Ms. Wong Shuk Fong	✓	✓
Mr. Donald William Sneddon (appointed on 3 April 2017)	✓	✓
Mr. Li Kar Fai Peter (resigned on 3 April 2017)	✓	✓

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 C.3.3 and C.3.7 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 B.1.2 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 A.5.2 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) 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 currently consists of three members, namely Ms. Wong Shuk Fong (Chairman), Mr. So Chi Wai and Mr. Donald William Sneddon, all being INEDs. Ms. Wong Shuk Fong 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.

CORPORATE GOVERNANCE REPORT

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.

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 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 year ended 30 June 2017 and up to the date of this report.

CORPORATE GOVERNANCE REPORT

The Audit Committee should meet at least four times a year. For the year ended 30 June 2017, the Audit Committee held 4 meetings.

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

	Number of attendance/ number of meetings (Note)
Ms. Wong Shuk Fong (<i>Chairman</i>)	4/4
Mr. Li Kar Fai Peter (<i>Chairman</i>) (resigned on 3 April 2017)	3/3
Mr. So Chi Wai	3/4
Mr. Donald William Sneddon (appointed on 3 April 2017)	1/1

Note: Attendances of the Directors during the year ended 30 June 2017 were made by reference to the number of such meeting(s) held during their respective tenures.

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

- (a) reviewed the unaudited quarterly, interim and audited annual 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 2017.

REMUNERATION COMMITTEE

The Remuneration Committee currently consists of four members, namely Ms. Wong Shuk Fong (Chairman), Mr. Donald William Sneddon, 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 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 Remuneration Committee should meet at least once a year. For the year ended 30 June 2017, 4 meetings of the Remuneration Committee were held and has, inter alia, reviewed the remuneration packages for individual executive Directors and senior management and making recommendations to the Board.

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

	Number of attendance/ number of meetings (Note)
Ms. Wong Shuk Fong (<i>Chairman</i>)	4/4
Mr. So Chi Wai	4/4
Mr. Kwok Tung Keung	4/4
Mr. Donald William Sneddon (appointed on 3 April 2017)	1/1
Mr. Li Kar Fai, Peter (resigned on 3 April 2017)	4/4

Note: Attendances of the Directors during the year ended 30 June 2017 were made by reference to the number of such meeting(s) held during their respective tenures.

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 7 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee currently consists of three members, namely Mr. Kwok Tung Keung (Chairman), Mr. Donald William Sneddon 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 or the website of the Stock Exchange):

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

Nomination Committee should meet at least once a year. For the year ended 30 June 2017, 4 meetings of the Nomination Meeting were held 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 2016 AGM.

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

	Number of attendance/ number of meetings (Note)
Mr. Kwok Tung Keung (<i>Chairman</i>)	4/4
Ms. Wong Shuk Fong	4/4
Mr. Donald William Sneddon (appointed on 3 April 2017)	1/1
Mr. Li Kar Fai, Peter (resigned on 3 April 2017)	4/4

Note: Attendances of the Directors during the year ended 30 June 2017 were made by reference to the number of such meeting(s) held during their respective tenures.

CORPORATE GOVERNANCE REPORT

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 2017, the remuneration paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	Fees paid/payable for the services rendered HK\$'000
Statutory audit services	850
Non-audit services	335

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 2017, 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 headed "Biographical details of Directors and Senior Management" for his biographical information.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board of Directors, the Audit Committee and the Risk Management Taskforce. The Board of Directors determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional adviser to assist the Board of Directors and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board of Directors on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control reports are submitted to the Audit Committee and the Board of Directors at least once a year. The Board of Directors had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board of Directors in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board of Directors considers the Group's risk management and internal control systems are effective and adequate.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, not absolute, assurance against material misstatement or loss.

Procedures and internal controls for the handling and dissemination of inside information

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

The Directors are of the view that the consolidated financial statements of the Group for the year ended 30 June 2017 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 (the "**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 AGM of the Company will be held on Friday, 15 December 2017, 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 (the "EGM"). The EGM shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them 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.

CORPORATE GOVERNANCE REPORT

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 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In accordance with Appendix 20 – Environmental, Social and Governance Reporting Guide of the Growth Enterprise Market (the “**GEM**”) Listing Rules issued by Hong Kong Exchange and Clearing Limited (“**HKEX**”), Super Strong Holdings Limited (the “**Company**”, “**we**”, “**our**” and “**us**”) presents this Environmental, Social and Governance (“**ESG**”) Report for the year ended 30 June 2017 (the “**Reporting Period**”).

This report serves to provide details of the Company’s ESG policies and initiatives of its building contractor business in the Hong Kong Special Administration Region (“**Hong Kong**”), which is the sole operating segment of the Company.

The Board of Directors has the overall responsibility for the Company’s ESG strategy and reporting in achieving green operations for sustainable development. The Management of the Company (the “**Management**”) is responsible for monitoring and managing ESG-related risks and the effectiveness of the ESG risk management and internal controls systems. The Management has provided a confirmation as to the effectiveness of these systems during the Reporting Period to the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to determine the ESG reporting scope, we have engaged and discussed with various management personnel and other internal key stakeholders to perform materiality assessment for identifying material ESG issues relevant to the Company's operation. The summary of material ESG issues of the Company is listed below:

ESG aspects as set out in ESG Guide	Material ESG issues for the Company
A. Environmental	
A1 Emissions	<ul style="list-style-type: none"> • Air Emissions • Water Discharge • Waste Disposal
A2 Use of Resources	<ul style="list-style-type: none"> • Energy and Resources Conservation
A3 The Environment and Natural Resources	<ul style="list-style-type: none"> • Noise Nuisance
B. Social Employment and Labour Practices	
B1 Employment	<ul style="list-style-type: none"> • Remuneration Package and Other Welfares • Equal Opportunities • Other Employment Practices
B2 Health and Safety	<ul style="list-style-type: none"> • Health and Safety Measures
B3 Development and Training	<ul style="list-style-type: none"> • Staff Training
B4 Labour Standards	<ul style="list-style-type: none"> • No Child and Forced Labour
B5 Supply Chain Management	<ul style="list-style-type: none"> • Supplier and Subcontractor Management
B6 Product Responsibility	<ul style="list-style-type: none"> • Quality Management System • Project Quality Control • Data Privacy
B7 Anti-corruption	<ul style="list-style-type: none"> • Anti-fraud Policies
B8 Community Investment	<ul style="list-style-type: none"> • Corporate Social Responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A) ENVIRONMENTAL

Aspect A1: Emissions

The Company is committed to minimising any adverse impacts on the environment resulting from our business activities in order to fulfil our responsibilities to the community, our environmentally conscious customers as well as the local and global environment.

We require our subcontractors to comply with our environmental management plan. Our staff are encouraged to contribute towards sustainability by suggesting and adopting environmentally friendly construction methods and planning their works to reduce emissions efficiently and to the maximum extent with a view to achieving long-term cost savings.

The Company's operations at construction sites are subject to certain environmental requirements pursuant to the laws and regulations of Hong Kong, including primarily those in relation to air and water pollution and waste disposal controls. During the Reporting Period, we have not identified any material non-compliance of environment-related laws and regulations.

The Company has established various key policies governing environmental protection that are required to be followed by our employees and subcontractors in order to minimize emissions.

Air emissions

The major air pollutant generated from construction work is dust. In order to control, the Company has devised certain methods of construction and carried out the construction works in such a manner so as to minimise the impact of dust on the surrounding environment. Meanwhile, project personnel are provided with suitable training to ensure that these methods are implemented.

Water discharge

In order to effectively manage water discharge, prior to commencement of construction works, project managers identify wastewater discharge points in advance and then install adequate discharge pipeline and sedimentation tanks for discharging sewage properly.

Waste disposal

The Company promotes waste recycling by putting adequate facilities in place to facilitate collection and segregation of wastes. Chemical wastes are required to be collected and disposed by contractors authorized by the Environmental Protection Department. On the other hand, construction wastes are regularly discharged offsite to avoid excessive accumulation causing nuisance to the neighbourhood.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect A2: Use of Resources

Energy and resources conservation

The Company is dedicated to executing a set of resources conservation policies in order to maintain sustainability and achieve green commercial practices. The Company ensures all of its business activities and operations are in line with the principle of resources conservation, complying with all environmental protection related policies and procedures. We require our subcontractors to uphold the same principle.

Regarding construction projects, the Company has proven construction methodology and equipment which help conduct construction works in an environmentally friendly manner. As for subcontractors' works, we include construction methods and equipment adopted by the subcontractors into the assessment criteria of the subcontractor selection process. Subcontractors with green construction methods and equipment are relatively more preferable. The same assessment concept will also be adopted to raw materials supplier selection such that suppliers with green materials are relatively more preferable.

On the other hand, the Company has implemented green management systems internally to improve the efficiency of consuming energy and resources, and to raise staff's awareness in energy and resources conservation. The Company has monitored energy and resources usage monthly through management reports, and evaluated the effectiveness of environmentally friendly practices to identify any improvement area.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect A3: The Environment and Natural Resources

Understanding the fact that our businesses, in particular construction projects, inevitably create certain environmental impacts, we have established an integrated management system for managing environmental and occupational health and safety areas which has been certified for ISO 14001:2004 and OHSAS 18001:2007.

During the course of carrying out construction works, noise and vibration are generated through the use of our machinery. We strive to minimise disturbance to residents in the vicinity of our construction sites. The following are some environmental protection measures adopted by our Company:

- the project manager monitors all site operations which have significant environmental impact and ensures compliance with applicable environmental laws and regulations;
- we provide education and training to our employees, subcontractors and workers on the performance of works in an environmentally friendly manner; and
- we collect feedback and suggestions from the customers and subcontractors for improvements on our environmental management system.

Noise Nuisance

Noise control is regulated under the Noise Control Ordinance of Hong Kong. In light of that, the Company strives to minimize the impact of noise from its construction sites on the neighbourhoods. Project personnel have to ensure that regular maintenance is carried out for plants in order to maintain proper operations. Moreover, equipment of lower noise level is chosen for our projects to reduce noise at source. Project personnel are also required to execute measures whenever possible to further reduce noise from construction sites.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B) SOCIAL EMPLOYMENT AND LABOUR PRACTICES

Aspect B1: Employment

Remuneration package and other welfares

The Company recognises employees as valuable assets and intends to use its best effort to attract and retain suitable personnel to serve the Company. The objective of the Company's human resource management is to recognise and reward performing staff. The Company conducts annual review on salary, bonuses and promotion based on the performance of each employee.

The Company promotes individuals based on their performance and development potential in their positions held. In order to attract and retain high quality staff, competitive remuneration package, working hours and leaves are 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 Company's performance as well as individual's performance. Other staff benefits include provision of retirement and medical benefits and sponsorship of training courses.

Equal opportunities

We are committed to providing a non-discrimination working environment which is free of intimidation and harassment. We also provide equal opportunities in all aspects of employment regardless of sex, race, ethnic origin, religion, marital status or disabilities.

Other employment practices

The Company ensures all employment practices, including but not limited to compensation and dismissal, recruitment and promotion, working hours, rest periods and anti-discrimination are conducted in compliance with the Employment Ordinance.

During the Reporting Period, we have not identified any material non-compliance of employment-related laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect B2: Health and Safety

Health and safety measures

We are concerned with the health and safety of our employees and we are committed to providing a safe and healthy working environment for the benefit of our staff, our subcontractors and the general public. To this end, we have implemented safety plan to promote occupational health and safety at construction sites and to ensure compliance with applicable laws and regulations of Hong Kong. Our safety plan is documented in writing and supplemented with instructions, training and demonstrations. We require strict implementation of and adherence to our safety plan. In addition, we have qualified safety officers approved by the Labour Department to monitor and implement our safety plan. We will continue to put adequate resources and effort to uphold and improve our safety management in order to mitigate relevant risks. Our safety plan adopted sets out work safety measures to prevent common accidents which could happen at construction sites. Some details of our safety plan are set out below:

- Safety policies, objectives and records are documented, maintained and displayed in the sites and offices.
- The safety officer of a project will prepare a project safety plan at the commencement of the project. He or she will mention in the plan those operations and activities that are associated with identified hazards and will prescribe measures to control the identified risks.
- We provide internal training to all the staff of our Company on safety to enhance their knowledge. Special safety trainings are recommended for workers engaged in hazardous tasks, where necessary.
- All people on site are required to receive site safety induction training before they commence working on site. Tool box talks, safety activities and safety trainings are given by the safety officer to workers in order to enhance their safety awareness.
- All personnel as well as the subcontractors and their workers are required to follow the general safety rules, policies and measures adopted by the Company which are posted on conspicuous notice boards. Anyone who breaches any such rules will be subject to internal disciplinary actions.
- Site inspections and visits are carried out by our safety officers bi-weekly to ensure compliance with statutory provisions by all workers including subcontractors' employees.

Furthermore, we have appointed an independent safety auditor (who was registered with the Labour Department) to conduct safety audits as required under the Safety Management Regulation. Following the market norm of the Hong Kong construction industry, as well as a term of most construction contracts between main contractors and customers, the Company, in the case of being the main contractor, takes out and maintains employees' compensation insurance and contractor's all risks insurance for the entire project. The coverage of such insurance policies includes all works performed by the main contractor and all its subcontractors.

During the Reporting Period, there were two concluded cases of minor deviations against Construction Sites (Safety) Regulations which the amount of fine was HK\$45,000 in total relating to the use of safety equipment. In order to prevent such violations from occurring in the future, the Company has strengthened its monitoring on safety facilities and measures at construction sites.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect B3: Development and Training

Staff training

We believe that our employees are important assets to our Company. New employees are required to receive training to familiarise themselves with the applicable rules and regulations and the requirements of their jobs before they start work.

We also emphasize on the continuing education and quality training of our staff to enhance their work performance. Our employees also receive in-house training on a regular basis to enhance their knowledge on industry quality standards, safety standards, site management and operation of tools. We consider that our training programme is not only used as a platform to upgrade the skills of our employees regularly, but is also used to encourage greater cohesion within our Company. These measures increase overall efficiency and loyalty to our Company, and also serve as a means of retaining quality employees.

Aspect B4: Labour Standards

No child and forced labour

All of the Company's subsidiaries and offices strictly comply with local statutory requirements and explicitly prohibit child and forced labour. The Human Resources ("HR") department is required to verify every job applicant's identification document to ensure eligibility. Employment contracts are signed by both parties to ensure mutual agreement on the terms of employment.

Furthermore, the Company has included terms in the agreements with subcontractors that their HR policies and procedures have to comply with the local employment related laws and regulations (e.g. Hong Kong Employment Ordinance).

The Company has performed regular inspections on its subsidiaries, local offices and subcontractors to ensure there is no non-compliance of relevant regulations.

During the Reporting Period, we have not identified any material non-compliance of child and forced labour-related laws and regulations.

Aspect B5: Supply Chain Management

Supplier and subcontractor management

The Company purchases construction materials and other miscellaneous goods for the construction sites from suppliers; and engages subcontractors to perform the construction works to enable the Company to carry on its business. Knowing the importance of supply chain management as an integral part of our quality control, the Company implements strict controls on its supply chain to ensure its effectiveness and efficiency.

The Company maintains an internal list of approved subcontractors and suppliers, for each category of building works and materials where the list is updated on a continuous basis. While engaging a subcontractor, the Company generally selects the most suitable subcontractor from the approved list based on its relevant skill sets and experience, availability and fee quotations. With regard to construction materials, unless our customers require us to order from designated suppliers, we generally procure materials from the list of our internally approved suppliers which we have satisfactory past business relationship in terms of consistency of quality. The Company will also engage independent experts to perform quality test on sample materials.

The Company 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect B6: Product Responsibility

Our Directors believe that the financial results and profits of the Company depend on its ability to meet our customers' requirements. We place strong emphasis on quality control as it would assure completing works to meet or exceed our customers' requirements, and it is also crucial for building safety, job reference and future business opportunities.

Quality management system

We have established formal quality management system in accordance with the requirements ISO 9001:2008 standards, by which we develop a sustainable performance-oriented culture with an emphasis on pursuing continuous improvement rather than adopting a short-term and project based approach. The quality management system of WM Construction (a principal operating subsidiary of the Company), which is applicable to construction of buildings, demolition of buildings with demolition design, construction of civil engineering works (site formation) and design and construction of foundation, was certified to comply with ISO 9001:2000 quality management system standard issued by the Hong Kong Quality Assurance Agency in April 2003, and was subsequently certified to comply with ISO 9001:2008 quality management system standard issued by Castco Certification Services Limited in April 2010. The validity of such ISO 9001:2008 certification is subject to the continuing satisfactory operation of our management system and surveillance audits.

Project quality control

Our project management team comprising our project manager and site agent is responsible for the quality control of each project. To ensure our works meet the required standards, we normally assign a site agent at each construction site. Such site agent is responsible for monitoring the quality of works carried out by our subcontractors. Our project managers are responsible for monitoring progress and quality of works and ensuring that works are completed according to schedule. Furthermore, our project management team communicates frequently with and reports to our Executive Directors. Our Executive Directors closely monitor the progress of each project to ensure that the works (i) meet our customers' requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant laws and regulations applicable to the works.

Data privacy

The Company emphasizes the importance of data privacy. It strives to protect the privacy of its customers, business partners and staff in the collection, processing and use of their business or personal data. The Company strictly follows the data protection laws and regulations of Hong Kong.

During the Reporting Period, we have not identified any material non-compliance of products and services-related laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect B7: Anti-corruption

Anti-fraud policies

The Company believes that honesty, integrity and fairness are of vital importance to its business operations. All employees are required to comply with the Company's code of conduct. Other than the internal anti-bribery and corruption guidelines as stipulated in the Company's code of conduct, the Company has also established whistle-blowing policy which is made publicly available to guide third party stakeholders in reporting any irregularities or misbehaviour.

The Company has implemented proper and effective internal controls at different business processes to prevent and detect fraudulent activities.

During the Reporting Period, we have not identified any material non-compliance of corruption and anti-money laundering-related laws and regulations.

Aspect B8: Community Investment

Corporate social responsibility

With the commitment to being a socially responsible corporation, we are dedicated to develop and implement sustainably good corporate policies in areas including environmental protection, staff management and development as well as occupational health and safety.

Meanwhile, we also demonstrate our care to the underprivileged through the participation in the Twinkle Stars Plan. The Plan aims at providing financial support to the needed students for their tertiary education. Two of our Executive Directors, Mr. Kwok Tung Keung and Mr. Ko Chun Hay Kelvin, joined a trip organized by Twinkle Stars to visit needed students in Nanning, Guangxi. The Company sponsored the trip for approximately HK\$110,000, while donating approximately HK\$720,000 to the organization during the Reporting Period.

REPORT OF THE DIRECTORS

The Directors hereby present their report and the audited consolidated financial statements for the year ended 30 June 2017.

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 Reorganisation (as defined under note 2 to the consolidated financial statements of this annual report) and the Company became the holding company of the companies comprising the Group upon the completion of the Reorganisation on 14 December 2015.

Details of the 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 32 to the consolidated financial statements of this annual report. There were no significant changes in the nature of the Group's principal activities during the year ended 30 June 2017.

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 10 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 2017 by operating segment is set out in note 6 to the consolidated financial statements.

REPORT OF THE DIRECTORS

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 53 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2017 (30 June 2016: nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 98 of this annual report.

PLANT AND EQUIPMENT

Details of the movements during the year ended 30 June 2017 in the plant and equipment of the Group are set out in note 13 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 2017 amounted to approximately HK\$1.4 million (2016: approximately HK\$1.1 million).

SHARE CAPITAL

Details of the movements during the year ended 30 June 2017 in the share capital of the Company are set out in note 22 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 30 June 2017, 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\$42.7 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 28 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 2017.

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 2017, 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)	300,000,000	37.50%
Mr. Lee	Interest in controlled corporation (Note 2)	160,000,000	20%
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.

REPORT OF THE DIRECTORS

(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 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, Underlying Shares and Debentures

So far as the Directors are aware, as at 30 June 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%

Save as disclosed above, as at 30 June 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.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS

During the year ended 30 June 2017, the Group's five largest customers accounted for approximately 81.8% (2016: approximately 74.6%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 41.5% (2016: approximately 25.2%) 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 2017, the Group's five largest suppliers and subcontractors accounted for approximately 40.2% (2016: approximately 35.3%) of the total direct costs of the Group and the largest subcontractor of the Group accounted for approximately 11.1% (2016: approximately 16.6%) 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.

DIRECTORS

The Directors during the year ended 30 June 2017 and up to the date of this annual report were:

Executive Directors

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

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

Mr. Ko Chun Hay Kelvin¹ (appointed on 26 October 2016)

Mr. Chan Siu Kay Francis (resigned on 30 June 2017)

Independent non-executive Directors

Mr. So Chi Wai

Ms. Wong Shuk Fong

Mr. Donald William Sneddon¹ (appointed on 3 April 2017)

Mr. Li Kar Fai Peter (resigned on 3 April 2017)

Note:

1. Mr. Ko Chun Hay Kelvin and Mr. Donald William Sneddon are subject to re-election in the forthcoming AGM.

Information regarding directors' emoluments is set out in note 7a to the consolidated financial statements of this annual report.

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 11 to 14 of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years other than Mr. Lee Kin Kee, for an initial term of two years and each of these service contracts is subject to termination by not less than three months written notice. Independent non-executive Directors are appointed for a term of two years subject to termination in certain circumstance as stipulated on appointment letter.

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

DIRECTORS' RETIREMENT AND RE-ELECTION

Pursuant to Article 16.18 of the Articles, one-third of the Directors for the time being (or, if their number is not 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.

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 2017.

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 7(a) and 7(b), respectively, to the consolidated financial statements of this annual report.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

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

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 30 June 2017.

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 2017.

INTEREST OF COMPLIANCE ADVISER

As at 30 June 2017, as notified by the Company’s compliance advisor, 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 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 during the year ended 30 June 2017.

RELATED PARTY TRANSACTIONS

The related party transactions entered into the Group with Good Rise Engineering Limited are set out in note 26 to the consolidated financial statements of this annual report. None of these transactions constitute a discloseable connected transaction or continuing connected transaction as defined under Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

AUDITOR

The consolidated financial statements for the year ended 30 June 2017 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 2017 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” of this report on pages 15 to 27.

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 of 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 2017.

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 2017 and up to the date of this report.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements of shareholders of the Company to attend and vote at the forthcoming AGM to be held on Friday, 15 December 2017, the register of members of the Company will be closed from Tuesday, 12 December 2017 to Friday, 15 December 2017, both days inclusive, during which period no transfer of the shares will be registered. Shareholders 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 4:00 p.m. on Monday, 11 December 2017.

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

Hong Kong, 15 September 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE MEMBERS OF SUPER STRONG HOLDINGS LIMITED

宏強控股有限公司

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Super Strong Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 53 to 97, which comprise the consolidated statement of financial position as at 30 June 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue and costs from construction contracts and amounts due from/to customers for contract work	
<p>We identified the recognition of revenue and costs from construction contracts and amounts due from/to customers for contract work as a key audit matter due to the use of judgment and estimates by management in determining the stage of completion and budget costs of incomplete construction contracts.</p>	<p>Our procedures in relation to recognition of revenue and costs from construction contracts and amounts due from/to customers for contract work included:</p> <ul style="list-style-type: none"><li data-bbox="766 793 1436 933">• Understanding and evaluating management's process in estimation of the contract revenue, budget cost and determination of completion status of the construction contracts;<li data-bbox="766 965 1436 1106">• Agreeing the total contract value to the contracts and variation orders, if any, to architect's instructions or other form of agreements or other correspondences, on a sample basis;<li data-bbox="766 1138 1436 1304">• Evaluating the reasonableness of the estimated total contract costs by assessing the status of completion of the construction contracts, and comparing the actual costs incurred against management's estimation and the profit margin of other similar projects, on a sample basis;
<p>During the year ended 30 June 2017, the Group generated revenue of HK\$651,426,000 from construction contracts. As disclosed in note 16 to the consolidated financial statements, the carrying amounts of amounts due from and amounts due to customers for contract work of HK\$95,501,000 and HK\$996,000, respectively, were recorded in the consolidated statement of financial position as at 30 June 2017.</p>	

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue and costs from construction contracts and amounts due from/to customers for contract work	
<p>The Group recognised contract revenue and direct costs according to the management's estimation of the progress and outcome of the project. As discussed in note 5 to the consolidated financial statements, management estimated direct costs according to the amount of direct labour, subcontracting charges and costs of materials incurred from time to time based on quotations provided by the major subcontractors/suppliers/vendors involved and the experience of management of the Group, which involve management's best estimates and judgements. The actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.</p>	<ul style="list-style-type: none">• Evaluating the reasonableness of contract costs recognised to date by:<ul style="list-style-type: none">• Checking to the Group's internal progress report as well as other supporting documents including the certificates issued to the subcontractors/suppliers/vendors and their correspondences or other documents issued before and subsequent to year end date to evaluate progress of respective projects, on a sample basis;• Discussing with the project managers of the Group to understand the status of respective construction contracts, and to evaluate the reasonableness of contract costs recognised based on the size and complexity of the contracts, on a sample basis.• Evaluating the reasonableness of percentage of completion of construction contracts by comparing the percentage calculated based on costs incurred at the end of the reporting period against that calculated based on external surveyors' certifications, and investigating any significant differences identified.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p>Allowance for trade receivables</p> <p>We identified the assessment of adequacy of allowance for trade receivables as a key audit matter due to the use of judgment and estimates by management in assessing the recoverability of trade receivables.</p> <p>As disclosed in note 15 to the consolidated financial statements, the carrying amount of trade receivables and trade receivables which are past due but not impaired amounted to HK\$48,153,000 and HK\$9,408,000, respectively, as at 30 June 2017.</p> <p>In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the customer from the date credit was initially granted up to the end of the reporting period. The Group has a policy of allowance for bad and doubtful debts which is based on the evaluation of collectibility and ageing analysis of the accounts of each customer and on management's judgement including the creditworthiness and the past collection history of each customer.</p>	<p>Our procedures in relation to the assessment of adequacy of allowance for trade receivables included:</p> <ul style="list-style-type: none">• Assessing the key controls over monitoring of the recoverability of trade receivables and management's process in estimation of allowance for trade receivables;• Understanding and evaluating the basis used by management in determining the recoverability of trade receivables, which is by making reference to ageing analysis of trade receivables and creditworthiness and the past collection history of each customer;• Assessing the accuracy of the ageing analysis by checking to the original invoices issued by the Group, on a sample basis;• Tracing settlement records during the year and subsequent settlements of each individual debtor to supporting documents including bank records, on a sample basis; and• Assessing the recoverability of overdue trade receivables without subsequent settlement by analysing creditworthiness and past collection history of the customers and inquiring of management on the follow up plans.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Hung Suk Fan.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

15 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
Revenue	6	651,426	560,280
Direct costs		(622,124)	(521,225)
Gross profit		29,302	39,055
Other income	8	327	1,275
Other gains and losses	8	(180)	(758)
Administrative expenses		(22,245)	(18,817)
Listing expenses		–	(10,935)
Finance costs – interest expense on bank borrowings		(119)	(122)
Profit before taxation	9	7,085	9,698
Income tax expense	10	(1,180)	(3,688)
Profit and total comprehensive income for the year attributable to owners of the Company		5,905	6,010
Earnings per share Basic (HK cents)	12	0.74	0.90

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Plant and equipment	13	726	112
Deferred tax assets	10	23	112
Deposits and prepayments	14	8,834	8,824
		9,583	9,048
Current assets			
Trade receivables	15	48,153	64,471
Other receivables, deposits and prepayments	14	1,973	1,526
Amounts due from customers for contract work	16	95,501	64,772
Pledged bank balances	17	77,736	35,877
Bank balances and cash	17	71,755	101,989
		295,118	268,635
Current liabilities			
Trade payables	18	28,095	24,804
Other payables and accrued charges	19	110,002	83,046
Amounts due to customers for contract work	16	996	6,383
Tax payable		4,985	8,777
Bank borrowings	20	5,000	5,000
Provisions	21	1,769	1,724
		150,847	129,734
Net current assets		144,271	138,901
Net assets		153,854	147,949
Capital and reserves			
Share capital	22	8,000	8,000
Reserves		145,854	139,949
Equity attributable to owners of the Company		153,854	147,949

The consolidated financial statements on pages 53 to 97 were approved and authorised for issue by the Board of Directors on 15 September 2017 and are signed on its behalf by:

Kwok Tung Keung
DIRECTOR

Ko Chun Hay Kelvin
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Share capital HK\$'000	Share premium HK\$'000	Capital contribution HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 July 2015	5,000	–	(2,591)	88,464	90,873
Profit and total comprehensive income for the year	–	–	–	6,010	6,010
Dividends paid (note 11)	–	–	–	(7,000)	(7,000)
Reorganisation (note i below)	(5,000)	–	5,000	–	–
Contribution from a shareholder (note 2(i))	–	–	10,000	–	10,000
Issue of shares upon placing (note 22)	1,600	51,200	–	–	52,800
Transaction costs directly attributable to issue of shares	–	(3,897)	–	–	(3,897)
Capitalisation Issue (note 22)	6,400	(6,400)	–	–	–
Deemed distribution arising from issue of financial guarantee to a related company (note ii below)	–	–	(2,591)	–	(2,591)
Reversal of financial guarantee liability upon early termination of the guarantee	–	–	1,754	–	1,754
At 30 June 2016	8,000	40,903	11,572	87,474	147,949
Profit and total comprehensive income for the year	–	–	–	5,905	5,905
At 30 June 2017	8,000	40,903	11,572	93,379	153,854

Notes:

- (i) The amount represents the excess of the combined share capital of the operating subsidiaries over the shares issued by the Company pursuant to the group reorganisation as detailed in note 2.
- (ii) The amount represents the fair value of a financial guarantee issued by a subsidiary of the Company to a company related to Mr. Kwok Tung Keung ("Mr. Kwok") for banking facilities granted to the subsidiary and the related company jointly before the Reorganisation (as defined in note 2). The guarantee was released on 23 October 2015 upon early termination of the banking facilities.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	2017 HK\$'000	2016 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	7,085	9,698
Adjustments for:		
Allowance for bad and doubtful debts	190	–
Depreciation of plant and equipment	211	74
Interest income	(327)	(325)
Financial guarantee income	–	(897)
Gain on disposal of plant and equipment	(10)	(5)
Finance costs	119	122
Operating cash flows before movements in working capital	7,268	8,667
(Increase) decrease in amounts due from/to customers for contract work, net	(36,116)	929
Decrease in trade receivables	16,128	4,995
(Increase) decrease in other receivables, deposits and prepayments	(149)	718
Decrease in amount due from a related company	–	500
Increase in trade payables	3,291	6,880
Increase in other payables and accrued charges	26,956	21,862
Increase in provisions	45	71
Cash generated from operations	17,423	44,622
Income tax paid	(4,883)	(1,506)
NET CASH FROM OPERATING ACTIVITIES	12,540	43,116
INVESTING ACTIVITIES		
Bank interest received	19	17
Purchase of plant and equipment	(825)	(46)
Proceeds from disposal of plant and equipment	10	5
Withdrawal of pledged bank balances	468,201	158,562
Placement of pledged bank balances	(510,060)	(180,025)
Repayment from a director	–	602
NET CASH USED IN INVESTING ACTIVITIES	(42,655)	(20,885)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	2017 HK\$'000	2016 HK\$'000
FINANCING ACTIVITIES		
Interests paid	(119)	(122)
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 a shareholder	–	10,000
Dividends paid	–	(7,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(119)	51,211
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(30,234)	73,442
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	101,989	28,547
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	71,755	101,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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**”), W.M. Construction Limited (“**WM Construction**”), W.M. Engineering Company Limited (“**WM Engineering**”) and W.M. Foundation Company Limited (“**WM Foundation**”), the operating subsidiaries, were 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 Investments Limited (“**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 an independent third party (“**Pre-IPO Investor**”) at a subscription price of HK\$10,000,000 pursuant to the subscription agreement and the subscription price was contributed to the Group.
- (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

2. GROUP REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

- (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.
- (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 Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, and accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 30 June 2016 were 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 since 1 July 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to Hong Kong Accounting Standard (“HKAS”) 1 “Disclosure initiative”

The Group has applied the amendments to HKAS 1 “Disclosure initiative” for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the basis of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity’s financial position and financial performance.

As regards to the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. Hence, the grouping and ordering of certain notes has been revised to give prominence to the areas of the Group’s activities that management considers to be most relevant to an understanding of the Group’s financial performance and financial position. Specifically, information about capital risk management and financial instruments was reordered to notes 29 and 30. Other than the above presentation changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

New and amendments to HKFRSs and interpretations in issue but not yet effective

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

HKFRS 9	Financial instruments ²
HKFRS 15	Revenue from contracts with customers and the related amendments ²
HKFRS 16	Leases ³
Amendments to HKAS 7	Disclosure initiative ¹
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ¹
Amendments to HKAS 40	Transfers of investment property ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁵
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle ⁴
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration ²
HK(IFRIC) – Int 23	Uncertainty over income tax treatments ³

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

⁵ Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 “Financial instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are related to the impairment of financial assets. HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under 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.

Based on the Group’s consolidated financial instruments and risk management policies as at 30 June 2017, application of HKFRS 9 in the future may have material impact on the measurement of the Group’s financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (CONTINUED)

New and amendments to HKFRSs and interpretations in issue but not yet effective (continued)

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, 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.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Having considered those construction service contracts with customers entered into by the Group during the year ended 30 June 2017, the directors of the Company anticipate that the application of HKFRS 15 in the future may not have material impact on the amounts reported.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (CONTINUED)

New and amendments to HKFRSs and interpretations in issue but not yet effective (continued)

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lease accounting, and is replaced by a single model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Furthermore, extensive disclosures are required by HKFRS 16.

At 30 June 2017, the Group, as lessee, has non-cancellable operating lease commitments of HK\$1,203,000 as disclosed in note 23. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) (CONTINUED)

New and amendments to HKFRSs and interpretations in issue but not yet effective (continued)

Amendments to HKAS 7 “Disclosure initiative”

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 July 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group’s financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as disclosed above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs and interpretations in issue but not yet effective 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 Growth Enterprise Market of the Stock Exchange 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in 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, 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”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 prospective. 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.

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below:

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Plant and equipment

Plant and equipment held for use in the supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and 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 the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value on use (if determinable) and zero. The amount of impairment loss that would otherwise have been allocated to the asset is allocated pro rata to other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion that revenue recognised with reference to surveys of work performed to date relative to the estimated total contract revenue or the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs, except where 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.

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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity 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 at amortised cost

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the 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 a financial liability 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 Schemes ("**MPF Schemes**") 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 2017

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 2017

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 2017

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

Allowance for trade receivables

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the customer from the date credit was initially granted up to the end of the reporting period. The Group has a policy of allowance for bad and doubtful debts which is based on the evaluation of collectibility and ageing analysis of the accounts of each customer and on management's judgement including the creditworthiness and the past collection history of each customer. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, impairment loss may arise. At 30 June 2017, the carrying amount of trade receivables is HK\$48,153,000 (2016: HK\$64,471,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

6. 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\$726,000 (2016: HK\$112,000) as at 30 June 2017 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:

	2017 HK\$'000	2016 HK\$'000
Customer A	95,243	57,397
Customer B	N/A*	141,213
Customer C	N/A*	56,374
Customer D	270,526	105,147
Customer E	N/A*	57,977
Customer F	102,533	N/A*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

7. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to directors and chief executive of the Company (including emoluments for services as employee/director of the group entities prior to becoming the directors of the Company) are as follows:

	Executive directors				Independent non-executive directors				Total HK\$'000
	Mr. Kwok HK\$'000 (note ii)	Mr. Chan Siu Kay Francis HK\$'000 (note iii)	Mr. Lee Kin Kee HK\$'000 (note iv)	Mr. Ko Chun Hay Kelvin HK\$'000 (note v)	Mr. Li Kar Fai Peter HK\$'000 (note vii)	Mr. So Chi Wai HK\$'000 (note vii)	Ms. Wong Shuk Fong HK\$'000 (note vii)	Mr. Donald William Sneddon HK\$'000 (note vii)	
Year ended 30 June 2017									
Fee	113	160	240	205	90	120	120	29	1,077
Other emoluments									
Salaries and other benefits	2,142	1,002	-	-	-	-	-	-	3,144
Performance and discretionary bonus (note i)	360	170	-	-	-	-	-	-	530
Retirement benefit schemes contributions	18	18	11	10	-	-	-	-	57
Total emoluments	2,633	1,350	251	215	90	120	120	29	4,808

	Executive directors		Non-executive director	Independent non-executive directors			Total HK\$'000
	Mr. Kwok HK\$'000 (note ii)	Mr. Chan Siu Kay Francis HK\$'000 (note iii)	Mr. Lee Kin Kee HK\$'000 (note iv)	Mr. Li Kar Fai Peter HK\$'000 (note vii)	Mr. So Chi Wai HK\$'000 (note vii)	Ms. Wong Shuk Fong HK\$'000 (note vii)	
Year ended 30 June 2016							
Fee	-	-	75	37	37	37	186
Other emoluments							
Salaries and other benefits	2,236	1,065	-	-	-	-	3,301
Performance and discretionary bonus (note i)	360	140	-	-	-	-	500
Retirement benefit schemes contributions	18	18	-	-	-	-	36
Total emoluments	2,614	1,223	75	37	37	37	4,023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

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

Notes:

- (i) 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.
- (ii) Mr. Kwok was appointed as the executive director of the Company on 22 September 2015. 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.
- (iii) Mr. Chan Siu Kay Francis was appointed as the director of the Company on 21 December 2015 and resigned on 30 June 2017.
- (iv) Mr. Lee Kin Kee was appointed as the non-executive director of the Company on 21 December 2015, and was re-designated as the executive director of the Company on 1 August 2016.
- (v) Mr. Ko Chun Hay Kelvin was appointed as the executive director of the Company on 26 October 2016.
- (vi) The emoluments of the executive directors are mainly for their services in connection with the management of the affairs of the Company and the Group.
- (vii) Mr. Li Kar Fai Peter, Mr. So Chi Wai and Ms. Wong Shuk Fong were appointed as the independent non-executive directors of the Company on 9 March 2016. Mr. Li Kar Fai Peter resigned on 3 April 2017 and Mr. Donald William Sneddon was appointed as the independent non-executive director of the Company on the same date.
- (viii) The emoluments of the non-executive director and independent non-executive directors are for their services as the directors of the Company.

During both years, no emolument 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 Siu Kay Francis whose emoluments are included in the disclosures in (a) above for both years. The emoluments of the remaining three (2016: three) individuals are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and other benefits	2,826	2,782
Discretionary bonus	480	452
Retirement benefits schemes contributions	54	54
	3,360	3,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

(b) Employees' emoluments (continued)

Their emoluments are within the following bands:

	2017 Number of employees	2016 Number of employees
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	2	2
	3	3

During both years, no emolument 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.

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	2017 HK\$'000	2016 HK\$'000
Other income:		
Bank interest income	19	17
Interest income on payment for a life insurance policy	308	308
Financial guarantee income	–	897
Rental income	–	53
	327	1,275
Other gains and losses:		
Allowance for bad and doubtful debts	(190)	–
Gain on disposal of plant and equipment	10	5
Net foreign exchange loss	–	(763)
	(180)	(758)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

9. PROFIT BEFORE TAXATION

	2017 HK\$'000	2016 HK\$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	850	900
Depreciation of plant and equipment	211	74
Directors' remuneration (note 7)	4,808	4,023
Other staff costs:		
Salaries and other benefits	28,701	26,091
Retirement benefits schemes contributions	1,036	894
Total staff costs	34,545	31,008
Lease payments under operating leases in respect of land and buildings	1,764	1,772

10. INCOME TAX EXPENSE

	2017 HK\$'000	2016 HK\$'000
Hong Kong Profits Tax	1,091	3,688
Deferred taxation	89	–
	1,180	3,688

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

10. INCOME TAX EXPENSE (CONTINUED)

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:

	2017 HK\$'000	2016 HK\$'000
Profit before taxation	7,085	9,698
Tax at the domestic income tax rate of 16.5% (2016: 16.5%)	1,169	1,600
Tax effect of expenses not deductible for tax purpose	81	2,297
Tax effect of income not taxable for tax purpose	(54)	(202)
Others	(16)	(7)
Income tax expense	1,180	3,688

The following is the major deferred tax assets recognised:

	Accelerated accounting depreciation HK\$'000
At 1 July 2015 and 30 June 2016	112
Charge to profit or loss	(89)
At 30 June 2017	23

11. DIVIDENDS

During the year ended 30 June 2016 and prior to the Reorganisation, WM Construction declared and paid dividends of HK\$5,000,000 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 existing shareholder.

No dividend was paid or proposed during the year ended 30 June 2017, nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

12. EARNINGS PER SHARE

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

Earnings

	2017 HK\$'000	2016 HK\$'000
Earnings for the purpose of basic earnings per share attributable to owners of the Company	5,905	6,010

Number of shares

	2017 '000	2016 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings for share	800,000	668,852

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 22) had been effective on 1 July 2015.

No diluted earnings per share is presented as there is no potential ordinary share outstanding during both years, or at the end of the respective reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

13. PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 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
Additions	397	–	115	313	825
Disposals	–	–	–	(894)	(894)
At 30 June 2017	1,443	1,401	439	1,596	4,879
DEPRECIATION					
At 1 July 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
Provided for the year	50	–	26	135	211
Eliminated on disposals	–	–	–	(894)	(894)
At 30 June 2017	1,096	1,401	308	1,348	4,153
CARRYING AMOUNTS					
At 30 June 2017	347	–	131	248	726
At 30 June 2016	–	–	42	70	112

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 2017

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 HK\$'000	2016 HK\$'000
Deposits	999	1,191
Payment for a life insurance policy (note)	8,366	8,149
Other receivables	–	198
Prepayments and others	1,442	812
Total	10,807	10,350
Analysed for reporting purposes as:		
Non-current assets	8,834	8,824
Current assets	1,973	1,526
	10,807	10,350

Note: The Group entered into a life insurance policy 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 measured 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 2017

15. TRADE RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	50,449	66,577
Less: allowance for bad and doubtful debts	(2,296)	(2,106)
	48,153	64,471

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 ageing analysis of the trade receivables, presented based on the invoice date at the end of the reporting period, is as follows:

	2017 HK\$'000	2016 HK\$'000
0 – 30 days	37,889	51,110
31 – 60 days	856	753
61 – 180 days	–	6,001
181 – 360 days	–	677
Over 360 days	9,408	5,930
	48,153	64,471

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% (2016: 80%) of trade receivables as at 30 June 2017, that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$9,408,000 (2016: HK\$12,608,000) which are past due at the end of the reporting period, for which the Group has not provided for impairment loss. The directors of the Company consider that these receivables are still recoverable as there has not been a significant change in credit quality of these customers and there are continuous subsequent settlements from these customers. The Group does not hold any collateral over these balances. The average age of these receivables is 456 days (2016: 193 days).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

15. TRADE RECEIVABLES (CONTINUED)

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

	2017 HK\$'000	2016 HK\$'000
61 – 180 days	–	6,001
181 – 360 days	–	677
Over 360 days	9,408	5,930
Total	9,408	12,608

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

Movement in allowance for bad and doubtful debts

	2017 HK\$'000	2016 HK\$'000
Balance at beginning of the year	2,106	2,106
Impairment loss recognised	190	–
Balance at end of the year	2,296	2,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

16. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2017 HK\$'000	2016 HK\$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	1,695,298	1,470,733
Less: Progress billings	(1,600,793)	(1,412,344)
Total	94,505	58,389
Analysed for reporting purposes as:		
Amounts due from customers for contract work	95,501	64,772
Amounts due to customers for contract work	(996)	(6,383)
Total	94,505	58,389

Unbilled retention receivables of HK\$59,888,000 (2016: HK\$39,507,000) are included in the above contracts in progress as at 30 June 2017. 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.

17. PLEDGED BANK BALANCES/BANK BALANCES AND CASH

Pledged bank balances represent bank deposits pledged 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% (2016: 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 ranging from 0.01% to 1.15% (2016: 0.01% to 1.15%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

18. TRADE PAYABLES

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

	2017 HK\$'000	2016 HK\$'000
0 – 30 days	21,771	22,029
31 – 60 days	–	1,460
61 – 180 days	6,324	1,315
	28,095	24,804

19. OTHER PAYABLES AND ACCRUED CHARGES

	2017 HK\$'000	2016 HK\$'000
Accrued charges for construction	53,130	43,309
Other accrued charges	4,455	4,034
Retention payables (note)	52,417	35,703
	110,002	83,046

Note: Retention monies payable to subcontractors 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

20. BANK BORROWINGS

	2017 HK\$'000	2016 HK\$'000
Revolving bank borrowings – repayable on demand	5,000	5,000

Revolving bank borrowings carry interest at one-month Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 2.0% (2016: one-month HIBOR plus 2.0%) per annum.

The revolving bank borrowings, performance guarantee (as detailed in note 25), and other bank facilities are secured by:

- (i) the pledged bank balances of HK\$77,736,000 (2016: HK\$35,877,000);
- (ii) a deposit of a life insurance policy as disclosed in note 14;
- (iii) project proceeds from certain construction contracts of the Group; and
- (iv) corporate guarantee by the Company.

21. PROVISIONS

	Long service payments and annual leave HK\$'000
At 1 July 2015	1,653
Provided for the year	71
At 30 June 2016	1,724
Provided for the year	45
At 30 June 2017	1,769

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 the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

22. SHARE CAPITAL

The issued share capital as at 1 July 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 and 30 June 2017	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 and 30 June 2017	800,000,000	8,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

22. 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, due 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.

23. 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:

	2017 HK\$'000	2016 HK\$'000
Within one year	1,184	1,700
In the second to fifth year inclusive	19	1,084
	1,203	2,784

Leases and rentals are negotiated and fixed for a term of three months to two years.

24. PLEDGE OF ASSETS

At 30 June 2017, the Group has pledged the deposit placed for the life insurance policy and certain bank balances, details of which are disclosed in notes 14 and 17 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 2017

25. CONTINGENT LIABILITIES

As 30 June 2017, performance guarantee of approximately HK\$58,893,000 (30 June 2016: HK\$30,866,000) are 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 for construction work. 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.

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.

26. RELATED PARTY TRANSACTIONS

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

	2017 HK\$'000	2016 HK\$'000
Rental income from Good Rise Engineering Limited (" Good Rise ")	–	53
Subcontracting fee paid to Good Rise	–	33

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. The above transactions for the year ended 30 June 2016 with Good Rise included only those up to 17 November 2015.

In addition, during the year ended 30 June 2016, the Group provided corporate guarantee for general banking facilities granted to a related company and the guarantee was released on 23 October 2015.

Compensation of key management personnel

The remuneration of directors of the Company, which are the key management personnel during the year are set out in note 7, is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

27. RETIREMENT BENEFITS SCHEMES

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

The retirement benefits schemes contributions arising from the MPF Schemes 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 9.

28. 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 current and prior years nor outstanding at the end of both reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

29. 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 Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank borrowings as disclosed in note 20, 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.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK\$'000	2016 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	207,009	211,875
Financial liabilities		
Amortised cost	143,097	112,850

(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, pledged bank balances, bank balances and cash, trade payables, other payables and accrued charges 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 revenue 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.

In addition, at 30 June 2017, the payment for a life insurance policy of HK\$8,366,000 (2016: HK\$8,149,000) is denominated in US\$, a currency other than the functional currency of the relevant group entity.

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

30. FINANCIAL INSTRUMENTS (CONTINUED)

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

Currency risk (continued)

Sensitivity analysis

As HK\$ is pegged to US\$, the directors of the Company consider that the currency risk of US\$ is insignificant. Accordingly, no sensitivity analysis is presented.

Interest rate risk

The Group's cash flow interest rate risk primarily relates to payment for a life insurance policy (note 14), pledged bank balances and bank balances (note 17) as well as floating-rate bank borrowings (note 20), which mainly concentrate on the fluctuation of 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 charged on payment for a life insurance policy, pledged bank balances and bank balances, and bank borrowings, is insignificant.

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.

The Group has concentration of credit risks with exposure limited to certain customers. Top three customers amounting to HK\$31,410,000 (2016: HK\$35,784,000) representing approximately 65% (2016: 56%) of the Group's trade receivables 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

30. FINANCIAL INSTRUMENTS (CONTINUED)

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

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.

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
At 30 June 2017					
Non-derivative financial liabilities					
Trade payables	N/A	–	28,095	28,095	28,095
Other payables and accrued charges	N/A	–	110,002	110,002	110,002
Bank borrowings	2.38	5,000	–	5,000	5,000
		5,000	138,097	143,097	143,097
At 30 June 2016					
Non-derivative financial liabilities					
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	2.27	5,000	–	5,000	5,000
		5,000	107,850	112,850	112,850

The amounts included above for variable interest rate 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.

(c) Fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 HK\$'000	2016 HK\$'000
Non-current assets		
Investments in subsidiaries	2	2
Current assets		
Amounts due from subsidiaries	7,510	4,570
Bank balances and cash	44,272	47,187
	51,782	51,757
Current liabilities		
Other payables and accrued charges	994	1,486
Tax payable	85	–
	1,079	1,486
Net current assets	50,703	50,271
	50,705	50,273
Capital and reserves		
Share capital	8,000	8,000
Reserves	42,705	42,273
	50,705	50,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

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 22)	51,200	–	51,200
Transaction costs directly attributable to issue of shares	(3,897)	–	(3,897)
Capitalisation Issue (note 22)	(6,400)	–	(6,400)
Dividends paid (note 11)	–	(2,000)	(2,000)
<hr/>			
At 30 June 2016	40,903	1,370	42,273
Profit and total comprehensive income for the year	–	432	432
<hr/>			
At 30 June 2017	40,903	1,802	42,705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 30 June 2017 and 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 the respective reporting periods.

FINANCIAL SUMMARY

RESULTS

	For the year ended 30 June			
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	651,426	560,280	566,194	425,359
Profit attributable to owners of the Company	5,905	6,010	18,469	12,544

ASSETS AND LIABILITIES

	At 30 June			
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Total assets	304,701	277,683	197,644	165,783
Total liabilities	(150,847)	(129,734)	(106,771)	(90,379)
Total equity	153,854	147,949	90,873	75,404