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## **CHONG KIN GROUP HOLDINGS LIMITED**

**創建集團（控股）有限公司**

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

**(Stock code: 1609)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017**

#### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the year ended 31 March 2017 amounted to approximately HK\$485.6 million (for the year ended 31 March 2016: approximately HK\$378.5 million).
- Profit attributable to the owners of the Company for the year ended 31 March 2017 amounted to approximately HK\$44.4 million (for the year ended 31 March 2016: approximately HK\$30.2 million).
- Basic and diluted earnings per share for the year ended 31 March 2017 amounted to approximately HK cents 6.32 (for the year ended 31 March 2016: approximately HK cents 4.64).
- The Directors of the Company do not recommend the declaration of a final dividend for the year ended 31 March 2017.

The board (the “**Board**”) of directors (the “**Directors**”) of Chong Kin Group Holdings Limited (the “**Company**”) is pleased to present the audited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2017 (the “**Period**”) together with the comparative figures for the year ended 31 March 2016 (the “**Previous Period**”) as follows. These information should be read in conjunction with the prospectus of the Company dated 30 September 2016 (the “**Prospectus**”).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME***For the year ended 31 March 2017*

	<i>Note</i>	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>
Revenue	4	<b>485,646</b>	378,479
Cost of sales		<b>(400,398)</b>	(310,389)
<b>Gross profit</b>		<b>85,248</b>	68,090
Other income	4	<b>5,260</b>	2,851
Administrative and other operating expenses		<b>(37,211)</b>	(32,075)
<b>Operating profit</b>		<b>53,297</b>	38,866
Finance costs	6	<b>(1,275)</b>	(1,158)
<b>Profit before income tax</b>	5	<b>52,022</b>	37,708
Income tax expense	7	<b>(7,597)</b>	(7,501)
<b>Profit and total comprehensive income for the year attributable to owners of the Company</b>		<b>44,425</b>	30,207
<b>Basic and diluted earnings per share</b>	8	<b>HK cents 6.32</b>	HK cents 4.64

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		42,326	34,090
Deposits and prepayments for life insurance policies		3,572	3,491
		<u>45,898</u>	<u>37,581</u>
<b>Current assets</b>			
Trade and other receivables	10	61,844	53,377
Gross amounts due from customers for contract work	11	104,931	52,500
Amounts due from shareholders		–	6,148
Current income tax recoverable		–	4,252
Cash and bank balances		105,740	67,744
		<u>272,515</u>	<u>184,021</u>
<b>Total assets</b>		<u><b>318,413</b></u>	<u><b>221,602</b></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	12	7,648	10
Reserves		190,911	84,827
		<u>198,559</u>	<u>84,837</u>
<b>Total equity</b>		<u><b>198,559</b></u>	<u><b>84,837</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		797	5,449
Deferred tax liabilities		4,672	3,922
		<u>5,469</u>	<u>9,371</u>

	<i>Note</i>	<b>2017</b> <b><i>HK\$'000</i></b>	2016 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>41,669</b>	40,717
Gross amounts due to customers for contract work	<i>11</i>	<b>50,640</b>	36,386
Borrowings		<b>21,957</b>	50,291
Current income tax liabilities		<b>119</b>	—
		<u><b>114,385</b></u>	<u>127,394</u>
<b>Total liabilities</b>		<u><b>119,854</b></u>	<u>136,765</u>
<b>Total equity and liabilities</b>		<u><b>318,413</b></u>	<u>221,602</u>
<b>Net current assets</b>		<u><b>158,130</b></u>	<u>56,627</u>
<b>Total assets less current liabilities</b>		<u><b>204,028</b></u>	<u>94,208</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 1 GENERAL INFORMATION AND CORPORATE REORGANISATION

### (a) General information

The Company was incorporated in the Cayman Islands on 31 May 2016 as an exempted company with limited liability. The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the principal place of business of the Company is Office B, 31st Floor, Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in provision of concrete placing services and other ancillary services. Its parent and ultimate holding company is Pioneer Investment Limited (“**Pioneer Investment**”), a company incorporated in the British Virgin Islands and owned as to 70% by Mr. Cheung Yuk Kei (“**Mr. Cheung**”) and 30% by Mr. Chan Yiu Hung (“**Mr. Chan**”), the controlling parties of the Company.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 October 2016.

### (b) Corporate reorganisation

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company’s shares on the Main Board of the Stock Exchange (the “**Reorganisation**”), the group entities were under the control of Mr. Cheung and Mr. Chan. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 27 September 2016. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Cheung and Mr. Chan prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation where this is a shorter period. The consolidated statement of financial position as at 31 March 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board on 22 June 2017.

## 2 BASIS OF PRESENTATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**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 Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

## 3 APPLICATION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the consolidated financial statements for the years, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), amendments and interpretations issued by the HKICPA that are effective for the Group’s financial year beginning 1 April 2016 throughout the year.

### *New and amendments to HKFRSs in issue but not yet effective*

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

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>
Amendments to HKFRS 4	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i> <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle <sup>5</sup>

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

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

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

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 *Financial Instruments*, address the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“**OCI**”) and fair value through profit and loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial

liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually use for risk management purposes. The Group is assessing the impact of HKFRS 9 but anticipate that the application of HKFRS 9 in the future will have no material impact on the Group’s consolidated financial statements.

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

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

It establishes that revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or services. Under HKFRS 15, revenue is either recognised over time or at a point in time while under HKAS 11 contract revenue is recognised by reference to the stage of completion. The directors of the Company expect that revenue will continue to be recognised as the contract progresses, broadly similar to the method under HKAS 11. However, revenue recognition will be significantly delayed if it cannot be established that performance obligations are satisfied over time. In addition, contract modifications will be required to be approved before revenue is recognised; this new requirement may result in revenue from contract modifications to be recognised later than it would have been under HKAS 11. The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group’s Financial Information. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

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

Application of HKFRS 16 will result in the Group’s recognition of right of-use assets and corresponding liabilities in respect of many of the Group’s lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these consolidated financial statements. Total operating lease commitments of the Group in respect of rental premises as at 31 March 2017 amounted to approximately HK\$1,286,000. The directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group’s result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated financial statement of financial position as right-to-use assets and lease liabilities.

The Group will adopt these new standards, amendments and interpretations in the period of initial application. Other than explained above regarding the impact of HKFRS 9, HKFRS 15 and HKFRS 16, the Group expects that the adoption of the other new or revised standards will have no significant impact on the Group's result of operations and its financial position.

#### 4 REVENUE AND SEGMENT INFORMATION

Revenue and other income recognised during the year are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Revenue</b>		
Concrete placing and other ancillary services	<u>485,646</u>	<u>378,479</u>
<b>Other income</b>		
Bank interest income	6	–
Rental income	1,307	587
Interest income from life insurance policies	81	88
Government grants ( <i>Note</i> )	577	–
Insurance claims	2,983	1,382
Gain on disposal of property, plant and equipment	8	–
Others	<u>298</u>	<u>794</u>
	<u>5,260</u>	<u>2,851</u>

*Note:* There are no unfulfilled conditions or contingencies relating to these grants.

#### Segment information

The chief operating decision-maker has been identified as the board of directors of the Company. The Board regards the Group's business as a single operating segment and reviews the financial statements accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

#### Information about major customers

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A	164,194	147,916
Customer B	61,479	N/A <sup>1</sup>
Customer C	74,442	72,072
Customer D	N/A <sup>1</sup>	41,647
Customer E	<u>65,172</u>	<u>56,207</u>

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



## 5 PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Auditors' remuneration	880	200
Staff costs (including directors' emoluments)	258,020	245,292
Depreciation of property, plant and equipment	18,517	11,722
Loss on disposal of property, plant and equipment	–	14
Listing expenses	3,354	7,736
Operating lease rental on premises	858	1,174
	<u>858</u>	<u>1,174</u>

## 6 FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on finance leases	486	1,076
Interest on bank overdrafts and bank borrowings	789	82
	<u>789</u>	<u>82</u>
	<u>1,275</u>	<u>1,158</u>

## 7 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong Profits Tax:		
– Current income tax	8,168	6,853
– Overprovision in prior year	(1,321)	–
Deferred income tax	750	648
	<u>750</u>	<u>648</u>
Income tax expense	<u>7,597</u>	<u>7,501</u>

## 8 EARNINGS PER SHARE

	2017	2016
Profit attributable to owners of the Company (HK\$'000)	<u>44,425</u>	<u>30,207</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	<u>702,974</u>	<u>651,400</u>
Basic earnings per share (HK cents)	<u>6.32</u>	<u>4.64</u>

For the year ended 31 March 2017, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of ordinary shares of 764,800,000 shares in issue during the year.

For the year ended 31 March 2016, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of 651,400,000 shares (comprising 10,000 shares in issue and 651,390,000 shares to be issued under the capitalisation issue) as if these 651,400,000 shares were outstanding throughout the year.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary share in issue during the years ended 31 March 2016 and 2017.

## 9. DIVIDENDS

No dividend was proposed or paid during the year ended 31 March 2017 (2016: Nil).

## 10. TRADE AND OTHER RECEIVABLES

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	3,442	15,018
Other receivables, deposits and prepayments	1,026	1,583
Retention receivables	<u>57,376</u>	<u>36,776</u>
	<u>61,844</u>	<u>53,377</u>

*Notes:*

- (a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. Credit terms granted to customers vary from contract to contract. The credit period granted to customers is 14 to 60 days from payment application date generally. Customers generally make payments within 7 to 14 days from the date of issue of payment certificates to the Group. Trade receivables are denominated in HK\$.

- (b) The ageing analysis of the trade receivables based on the date of payment certificates issued by customers is as follows:

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0-30 days	<b>2,450</b>	10,977
31-60 days	<b>416</b>	3,041
61-90 days	–	753
Over 90 days	<b>576</b>	247
	<b>3,442</b>	15,018

Trade receivables of approximately HK\$496,000 (2016: HK\$7,227,000) as at 31 March 2017 were not yet past due and approximately HK\$2,946,000 (2016: HK\$7,791,000) as at 31 March 2017 were past due but not impaired. Trade receivables from a number of independent customers of whom is no recent history of default and no provision has therefore been made. The ageing analysis of these trade receivables is as follows:

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0-30 days	<b>1,450</b>	3,750
31-60 days	<b>631</b>	3,794
Over 90 days	<b>865</b>	247
	<b>2,946</b>	7,791

Retention receivables as at 31 March 2017 and 2016 were not yet past due and will be settled in accordance with the terms of respective contract.

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

## 11 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Gross amounts due from customers for contract work</b>		
Contract costs incurred plus recognised profits less recognised losses	780,463	499,352
Less: Progress billings received and receivable	<u>(675,532)</u>	<u>(446,852)</u>
	<b><u>104,931</u></b>	<b><u>52,500</u></b>
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Gross amounts due to customers for contract work</b>		
Progress billings received and receivable	450,160	382,927
Less: Contract costs incurred plus recognised profits less recognised losses	<u>(399,520)</u>	<u>(346,541)</u>
	<b><u>50,640</u></b>	<b><u>36,386</u></b>

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

## 12 SHARE CAPITAL

	<i>Notes</i>	Number of ordinary shares	Nominal amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each			
Authorised:			
On 31 May 2016 (date of incorporation)	<i>(b)</i>	38,000,000	380
Increase in authorised share capital	<i>(c)</i>	<u>1,962,000,000</u>	<u>19,620</u>
As at 31 March 2017		<b><u>2,000,000,000</u></b>	<b><u>20,000</u></b>
Issued and fully paid:			
On 31 May 2016 (date of incorporation)	<i>(b)</i>	1	–
Shares issued upon Reorganisation	<i>(d)</i>	9,999	–
Shares issued pursuant to the capitalisation issue	<i>(e)</i>	651,390,000	6,514
Shares issued under share offer	<i>(f)</i>	<u>113,400,000</u>	<u>1,134</u>
As at 31 March 2017		<b><u>764,800,000</u></b>	<b><u>7,648</u></b>

*Notes:*

- (a) The balance of share capital at 31 March 2016 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the Reorganisation.

- (b) Upon incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. One share was allotted and issued nil-paid to the subscriber on 31 May 2016, which was then transferred to Pioneer Investment on the same date.
- (c) On 27 September 2016, the then sole shareholder resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares, each ranking pari passu with the shares then in issue in all respects.
- (d) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Chong Kin Group Limited from Pioneer Investment, on 27 September 2016, (i) the 1 nil-paid share held by Pioneer Investment was credited as fully paid, and (ii) 9,999 shares, all credited as fully paid, were allotted and issued to Pioneer Investment.
- (e) Pursuant to the written resolutions of the sole shareholder of the Company passed on 27 September 2016, the Company issued and allotted a total of 651,390,000 ordinary shares of the Company credited as fully paid to the then sole shareholder of the Company's shares on the register of members at the close of business on 27 September 2016 by way of capitalisation of the sum of HK\$6,513,900 standing to the credit of the share premium account of the Company.
- (f) On 17 October 2016, 113,400,000 ordinary shares of HK\$0.01 each were issued to the public at a price of HK\$0.7 per share for cash totalling HK\$79,380,000 by way of share offer. The excess of issue price over the par value of the shares, net of issuance costs of approximately HK\$10,083,000, were credited to the share premium account of the Company.

### 13 TRADE AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	10,773	11,731
Accruals and other payables	<u>30,896</u>	<u>28,986</u>
	<u><b>41,669</b></u>	<u><b>40,717</b></u>

*Notes:*

- (a) The ageing analysis of trade payables based on the invoice date is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0-30 days	10,370	10,049
31-60 days	339	1,591
61-90 days	–	27
Over 90 days	<u>64</u>	<u>64</u>
	<u><b>10,773</b></u>	<u><b>11,731</b></u>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Our Group is a concrete services provider in Hong Kong. We principally provide concrete placing services and other ancillary services as a subcontractor for both (i) public sector projects, including building and infrastructure related projects and (ii) private sector projects, which are mostly building related projects in Hong Kong. All revenue in the Period was derived from our concrete placing services and other ancillary services.

Our Shares were listed on the Main Board of the Stock Exchange (the “**Listing**”) on 17 October 2016 (the “**Listing Date**”) when 191,200,000 ordinary shares (comprising a public offer of 95,600,000 Shares and 95,600,000 Shares (comprising 17,800,000 new Shares and 77,800,000 Sale Shares) by way of placing) had been offered for subscription and for sale, at an offer price of HK\$0.7 per Share.

As at 31 March 2017, we had 52 concrete placing contracts on hand (including contracts in progress and contracts which are yet to commence) with a notional or estimated contract value of approximately HK\$497.1 million. As at 31 March 2016, we had 40 concrete placing contracts on hand with a notional or estimated contract value of HK\$607.7 million.

### FINANCIAL REVIEW

#### Revenue

The revenue of the Group for the Period amounted to approximately HK\$485.6 million, i.e. 28.3% more than that of approximately HK\$378.5 million for the Previous Period. All revenue was derived from the concrete placing services. Such growth was mainly attributable to the commencements of works on the newly awarded projects in Tsing Yi, Tung Chung, West Kowloon and Tseung Kwan O, which contributed to approximately HK\$92.6 million of the increase in aggregate.

#### Gross Profit and Gross Profit Margin

The gross profit of the Group for the Period amounted to approximately HK\$85.2 million, representing a growth of approximately 25.1% as compared with approximately HK\$68.1 million for the Previous Period, which was driven by an increase in revenue for the same period. The Group’s gross profit margin for the Period was approximately 17.6%, as compared with approximately 18.0% for the Previous Period. The slight decrease in the gross profit margin over the Previous Period was mainly attributable to the completion of the project in Hung Hom (which recorded a relatively higher gross profit margin).

## **Other Income**

Other income mainly comprises rental income from leasing our machinery to third parties, interest income principally from life insurance policies, government grants and reimbursement of employees' compensation from insurers for our injured workers. During the Period, other income amounted to approximately HK\$5.3 million (2016: HK\$2.9 million). The increase in other income was mainly due to the reimbursement of employees' compensation from insurers for settled claims with our injured workers during the Period.

## **Administrative and Other Operating Expenses**

The administrative and other operating expenses of the Group for the Period amounted to approximately HK\$37.2 million, representing an increase of approximately 15.9% compared with approximately HK\$32.1 million for the Previous Period, mainly due to the increase in the staff costs and the professional fees during the Period.

## **Finance Costs**

Finance costs for the Period was approximately HK\$1.3 million, representing an increase of approximately 8.3% compared with approximately HK\$1.2 million in the Previous Period. The increase was mainly attributable to the increase in interest charges on bank borrowings.

## **Income Tax Expense**

Income tax expense increased by approximately 1.3% from approximately HK\$7.5 million for the Previous Period to approximately HK\$7.6 million for the Period. Such increase was driven by the increase in revenue in the same period.

## **Net Profit**

The net profit for the Period of the Group amounted to approximately HK\$44.4 million, representing an increase of approximately 47.0% compared with approximately HK\$30.2 million for the Previous Period mainly due to the increase in revenue during the Period. The Group's net profit margin for the Period was approximately 9.1%, as compared with approximately 8.0% for the Previous Period. The increase in the net profit margin over the Previous Period was mainly due to the stable cost structure during the Period.

## **Liquidity, Financial Resources and Capital Structure**

The Group has funded the liquidity for the Period and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from operating activities and proceeds received from the Listing on the Listing Date.

As at 31 March 2017, the Group had total cash and bank balances of approximately HK\$105.7 million (31 March 2016: approximately HK\$67.7 million). The increase was mainly due to the net proceeds received from the Listing. The borrowings of the Group as at 31 March 2017 was approximately HK\$22.8 million (31 March 2016: approximately HK\$55.7 million).

As at 31 March 2017, the share capital and equity attributable to owners of the Company amounted to approximately HK\$7,648,000 and HK\$198,559,000 respectively (31 March 2016: approximately HK\$10,000 and HK\$84,837,000 respectively).

### **Debts and Charges on Assets**

The total borrowings of the Group, consist of bank borrowings, bank overdrafts and finance leases, decreased from approximately HK\$55.7 million as at 31 March 2016 to approximately HK\$22.8 million as at 31 March 2017. All borrowings were denominated in Hong Kong dollars and United States dollars. Interests are charged at fixed and floating rates. The Group did not carry out any interest rate hedging policy.

The Group's machinery and equipment with an aggregate net book value of approximately HK\$23.2 million and HK\$27.1 million and motor vehicles with an aggregate net book value of approximately HK\$nil and HK\$2.6 million as at 31 March 2017 and 2016, respectively, were charged under finance leases.

### **Foreign Exchange Risk**

The Group mainly operates in Hong Kong. Most of the operating transactions and revenue were settled in Hong Kong dollars and the Group's assets and liabilities are primarily denominated in Hong Kong dollars. With the insignificant portion of monetary transactions and assets denominated in foreign currencies, the Group did not engage in any derivatives agreement and did not commit to any financial instrument to hedge its foreign exchange exposure during the Period.

### **Gearing ratio**

Gearing ratio is calculated by dividing all debts by total equity at the period-end date and expressed as a percentage. Debts are defined to include payables incurred not in the ordinary course of business. The gearing ratio of the Group as at 31 March 2017 was approximately 11.46% (as at 31 March 2016: approximately 65.7%). As a result of the increased equity following the Listing, the Group's gearing ratio decreased.

### **Significant investment, Material Acquisitions and Disposal of Subsidiaries and Associated Companies**

Apart from the reorganisation in relation to the Listing (as set out under the section headed "History and Development" and the paragraph headed "Corporate Reorganisation" in Appendix IV to the Prospectus, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the Period. Save for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 31 March 2017.



## Employees and Remuneration Policy

As at 31 March 2017, 662 staff fell into the Group's payroll (31 March 2016: 553 staff). Total staff costs included directors' emoluments for the Period amounted to approximately HK\$258.0 million (Previous Period: approximately HK\$245.3 million), salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave. In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefit levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from mandatory provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors and senior management have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

## Use of Net Proceeds from the Listing

Our Shares were listed on the Main Board of the Stock Exchange on the Listing Date. The receipts of the proceeds, net of listing expenses (including underwriting fee), including both recognised in the consolidated statement of profit or loss and other comprehensive income and deducted from the share premium ("Net Proceeds") from the Listing were approximately HK\$57.2 million. The use of proceeds has been consistent with the disclosure in the Prospectus. The total net proceeds received were applied by the Group during the period from the Listing Date up to 31 March 2017 are as follows:

	Planned use of proceeds <i>HK\$'000</i>	Actual use of proceeds from the Listing Date to 31 March 2017 <i>HK\$'000</i>	Unused amount <i>HK\$'000</i>
<b>Use of Net Proceeds:</b>			
Acquisition of machinery and related parts	23,103	9,864	13,239
Expansion of our workforce both at office level and worksite level	6,429	839	5,590
Repayment of the outstanding finance leases	11,050	6,543	4,507
Repayment of the outstanding bank borrowings	11,050	10,512	538
General working capital	5,524	3,000	2,524
<b>Total</b>	<b>57,156</b>	<b>30,758</b>	<b>26,398</b>

Any net proceeds that were not applied immediately have been placed in the short-term demand deposits with authorised financial institutions or licensed banks in Hong Kong as at 31 March 2017.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Save that the Shares have been listed on the Main Board of the Stock Exchange since the Listing Date, no purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries from the Listing Date up to the date of this announcement.

### **Dividend**

The Board does not recommend the payment of a final dividend for the Period (2016: nil).

## **CORPORATE GOVERNANCE CODE**

The Company has applied the principles of and complied with the applicable code provisions (the “**Code Provisions**”) as set out under the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules during the period from the Listing Date up to 31 March 2017 (the “**Review Period**”). The Directors will periodically review on the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the Code Provisions from time to time.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

### **Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. In response to a specific enquiry by the Company, all Directors have confirmed that they had fully complied with the requirements of the Model Code during the Review Period.

## **AUDIT COMMITTEE**

The Company established an Audit Committee on 27 September 2016 in accordance with Rule 3.21 of the Listing Rules with terms of reference aligned with the provision of the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Miu Hon Kit, Mr. Leung Chi Wai and Mr. Seid Ka Him. Currently, Mr. Miu Hon Kit is the chairperson of the Audit Committee.

## **REVIEW OF ANNUAL RESULTS**

The Group's consolidated annual financial statements for the Period have been reviewed and approved by the Audit Committee. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

## **ANNUAL GENERAL MEETING**

The notice of the annual general meeting will be published in the Company's website and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

## **PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE**

The results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.chongkin.com.hk](http://www.chongkin.com.hk). The annual report of the Company for the Period containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.

By Order of the Board  
**Chong Kin Group Holdings Limited**  
**Cheung Yuk Kei**  
*Chairman*

Hong Kong, 22 June 2017

*As at the date of this announcement, the Board comprises a total of 6 Directors, namely Mr. Cheung Yuk Kei, Mr. Cheung Man Tim and Mr. Fung Chi Chung as executive Directors; and Mr. Miu Hon Kit, Mr. Leung Chi Wai and Mr. Seid Ka Him as independent non-executive Directors.*