# SAM WOO CONSTRUCTION GROUP LIMITED
# 三和建築集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*
(Stock Code: 3822)

## ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

The board (the "Board") of directors (the "Directors") of Sam Woo Construction Group Limited (the "Company") is pleased to present the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2017 (the "Year"/"2017"), together with the comparative figures for the corresponding year ended 31 March 2016 (the "Previous Year"/"2016").

**HIGHLIGHTS**

| | **2017** | **2016** |
|---|---|---|
| Revenue | HK$818 million | HK$1,061 million |
| Profit for the year | HK$79 million | HK$153 million |
| Earnings per share *(note)* | 4.70 HK cents | 9.23 HK cents |
| Net gearing | N/A | 13% |
| Current ratio | 1.4x | 1.7x |
| Total equity | HK$696 million | HK$655 million |
| Aggregate value of major contracts on hand | about HK$990 million yet to complete | |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 MARCH 2017*

| | Note | **2017** <br> ***HK$'000*** | 2016 <br> *HK$'000* |
|---|---|---|---|
| Revenue | 3 | **817,682** | 1,061,482 |
| Cost of sales | 4 | **(672,457)** | (851,470) |
| Gross profit | | **145,225** | 210,012 |
| Other (loss)/income, net | | **(906)** | 1,010 |
| Administrative expenses | 4 | **(45,451)** | (36,655) |
| Operating profit | | **98,868** | 174,367 |
| Finance income | 5 | **2,677** | 2,816 |
| Finance costs | 5 | **(10,330)** | (11,674) |
| Finance costs, net | 5 | **(7,653)** | (8,858) |
| Profit before income tax | | **91,215** | 165,509 |
| Income tax expense | 6 | **(12,235)** | (12,632) |
| Profit and total comprehensive income for the year | | **78,980** | 152,877 |
| Profit and total comprehensive income attributable to equity holders of the Company | | **78,980** | 152,877 |
| | | ***HK cents*** | *HK cents* |
| Basic and diluted earnings per share | 7 | **4.70** | 9.23 |

## CONSOLIDATED BALANCE SHEET

*AS AT 31 MARCH 2017*

| | Note | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Plant and equipment | | **633,527** | 605,566 |
| Deferred income tax assets | | **917** | 131 |
| Available-for-sale financial assets | | **19,750** | – |
| Deposits and prepayments | | **765** | 2,617 |
| | | **654,959** | 608,314 |
| **Current assets** | | | |
| Trade and retention receivables | 9 | **157,450** | 295,954 |
| Deposits, prepayments and other receivables | | **6,226** | 592 |
| Amounts due from customers for contract work | | **18,614** | 28,562 |
| Income tax recoverable | | **18** | 116 |
| Restricted bank balances | | **20,864** | 20,559 |
| Short-term bank deposit | | **–** | 17,797 |
| Cash and cash equivalents (excluding bank overdraft) | | **347,943** | 183,060 |
| | | **551,115** | 546,640 |
| **Total assets** | | **1,206,074** | 1,154,954 |
| **Equity** | | | |
| Capital and reserves | | | |
| Share capital | | **4,200** | 4,200 |
| Reserves | | **692,031** | 650,851 |
| **Total equity** | | **696,231** | 655,051 |

## CONSOLIDATED BALANCE SHEET (CONTINUED)

*AS AT 31 MARCH 2017*

| | Note | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Long-term borrowings | | **53,120** | 120,873 |
| Deferred income tax liabilities | | **53,453** | 43,782 |
| Amount due to a director | | **20,864** | 20,559 |
| | | **127,437** | 185,214 |
| **Current liabilities** | | | |
| Trade and retention payables | 10 | **79,534** | 87,307 |
| Accruals and other payables | | **13,969** | 16,298 |
| Amounts due to customers for contract work | | **82,707** | 28,672 |
| Borrowings | | **198,621** | 167,444 |
| Income tax payable | | **7,575** | 14,968 |
| | | **382,406** | 314,689 |
| **Total liabilities** | | **509,843** | 499,903 |
| **Total equity and liabilities** | | **1,206,074** | 1,154,954 |

*NOTES:*

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in foundation works and ancillary services in Hong Kong and Macau.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated and were approved for issue on 23 June 2017.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and have been prepared under the historical cost convention.

The preparation of the 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.

### 2.2 Summary of significant accounting policies

(a) *New and amended standards adopted by the Group:*

The following new amendments to standards are mandatory for the Group's financial year beginning 1 April 2016 and have been adopted by the Group:

| | |
|---|---|
| HKAS 1 (Amendment) | Disclosure initiative |
| HKAS 16 and HKAS 38 (Amendments) | Clarification of Acceptable Methods of Depreciation and Amortisation |
| HKAS 16 and HKAS 41 (Amendments) | Agriculture: Bearer Plants |
| HKAS 27 (Amendment) | Equity Method in Separate Financial Statements |
| HKFRS 10, HKFRS 12 and HKAS 28 (Amendment) | Investment Entities: Applying the Consolidation Exception |
| HKFRS 11 (Amendment) | Accounting for Acquisitions of Interest in Joint Operations |
| HKFRS 14 | Regulatory Deferral Accounts |
| HKFRSs (Amendment) | Annual Improvements 2012-2014 Cycle |

The adoption of these new amendments to standards does not have any significant impact to the results and financial position of the Group's consolidated financial statements.

(b) *New and amended standards not yet adopted*

The following new standards and amendments have been issued but are not effective for the financial year beginning on or after 1 April 2016 and have not been early adopted:

| | |
|---|---|
| HKAS 7 (Amendment) | Statement of Cash Flows – Disclosure[1] |
| HKAS 12 (Amendment) | Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses[1] |
| HKFRS 2 (Amendment) | Classification and Measurement of Share-based Payment Transactions[2] |
| HKFRS 9 | Financial Instruments[2] |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate and Joint Venture[3] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| HKFRS 15 (Amendment) | Classifications to HKFRS 15[2] |
| HKFRS 16 | Leases[4] |

[1] Effective for the Group for annual period beginning on 1 January 2017.

[2] Effective for the Group for annual period beginning on 1 January 2018.

[3] To be determined.

[4] Effective for the Group for annual periods beginning on 1 January 2019.

Management is in the process of making an assessment on the impact of these new and revised standards, amendments or interpretations. Other than HKFRS 9, HKFRS 15 and HKFRS 16 which may have an impact on the Group's consolidated financial statements, the directors of the Group do not anticipate that the application of the other new and amendments to HKFRS will have material impact on the results and financial position of the Group.

*HKFRS 9 Financial Instruments*

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets currently classified as available-for-sale financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the accounting for these assets.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

*HKFRS 15 Revenue from Contracts with Customers*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified service revenue to be the area that is likely to be affected. The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

*HKFRS 16 Leases*

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$8,737,000. Directors do not foresee any material impact on the net profit of the Group as the result of adoption of HKFRS 16.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

## 3 REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents gross contract receipts on foundation works and ancillary services in the ordinary course of business. Revenue recognised is as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Foundation works and ancillary services | **817,682** | 1,061,482 |

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as a single operating segment and reviews financial information accordingly.

### (a) Segment information

The Group's revenue from external customers attributable to the countries in which the Group derives revenue and information about its non-current assets, excluding deferred income tax assets and available-for-sale financial assets, based on both the country of domicile of companies holding these assets and their physical location are detailed below:

*Revenue from external customers*

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **810,683** | 412,590 |
| Macau | **6,999** | 648,892 |
| | **817,682** | 1,061,482 |

*Non-current assets (excluding deferred income tax assets and available-for-sale financial assets)*

Based on country of domicile of companies holding the assets and physical location of the assets:

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **634,292** | 608,183 |

The machinery and equipment of the Group were owned by Sam Woo Bore Pile Foundation Limited and Sam Woo Engineering Equipment Limited, the country of domicile of both is Hong Kong.

## 4 EXPENSES BY NATURE

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of sales | | |
| Construction contracts costs *(note (a))* | **638,093** | 811,994 |
| Depreciation | | |
| – owned plant and equipment | **22,040** | 26,524 |
| – leased plant and equipment | **2,715** | 5,572 |
| Repair and maintenance | **1,107** | 818 |
| Others | **8,502** | 6,562 |
| | **672,457** | 851,470 |
| Administrative expenses | | |
| Staff costs, including directors' emoluments *(note (b))* | **14,055** | 15,672 |
| Auditors' remuneration | **1,507** | 1,551 |
| Depreciation | | |
| – owned plant and equipment | **513** | 435 |
| Operating lease rental in respect of | | |
| – office and storage premises | **8,334** | 5,253 |
| – directors' quarters | **2,167** | 2,167 |
| Professional fees | **10,518** | 1,442 |
| Motor vehicle expenses | **2,262** | 1,735 |
| Bank charges | **961** | 629 |
| Others | **5,134** | 7,771 |
| | **45,451** | 36,655 |
| Total cost of sales and administrative expenses | **717,908** | 888,125 |

*Notes:*

(a) Construction contract costs included but not limited to costs of construction materials, staff costs (refer to note (b) below), consultancy fee, parts and consumables, subcontracting charges and transportation.

(b)

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Wages and salaries | **120,939** | 167,701 |
| Pension costs – defined contribution plans | **3,924** | 3,203 |
| Employment benefits | **1,046** | 2,183 |
| | **125,909** | 173,087 |
| Less: amount included in construction contracts costs or capitalised in work-in-progress | **(111,854)** | (157,415) |
| | **14,055** | 15,672 |

## 5 FINANCE INCOME AND COSTS

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Finance income | | |
| – Interest income on bank deposits | **2,677** | 2,816 |
| Finance costs | | |
| – Interest expense on bank loans | **(6,173)** | (7,153) |
| – Interest expense on obligations under finance leases | **(3,852)** | (4,087) |
| – Interest expense on amount due to a director | **(305)** | (434) |
| | **(10,330)** | (11,674) |
| Finance costs, net | **(7,653)** | (8,858) |

## 6 INCOME TAX EXPENSE

Hong Kong profits tax and Macau complementary tax have been provided at the rate of 16.5% and 12%, respectively, on the estimated assessable profit for the Year and the Previous Year.

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong profits tax | | |
| Current income tax | **3,054** | 8,070 |
| Under/(over)-provision of current income tax in prior year | **25** | (63) |
| Deferred income tax | **8,885** | 2,066 |
| Macau profits tax | | |
| Current income tax | **–** | 2,559 |
| Under-provision of current income tax in prior year | **271** | – |
| | **12,235** | 12,632 |

## 7 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted to reflect the share subdivision with effect from 23 December 2015.

| | **2017** | 2016 |
|---|---|---|
| Profit attributable to equity holders of the Company *(HK$'000)* | **78,980** | 152,877 |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(thousands)* | **1,680,000** | 1,656,612 |
| Basic earnings per share *(HK cents)* | **4.70** | 9.23 |

### (b) Diluted

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding at the year end (2016: same).

## 8 DIVIDENDS

(a) On 29 November 2016, the Board resolved to declare an interim dividend of HK0.5 cent per share for the Year, in the total of HK$8,400,000 which were paid in December 2016.

(b) A final dividend in respect of the year ended 31 March 2017 of HK1.0 cent per share, amounting to a total dividend of HK$16,800,000, will be proposed at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

## 9 TRADE AND RETENTION RECEIVABLES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **105,331** | 203,833 |
| Retention receivables | **52,119** | 92,121 |
| Trade and retention receivables | **157,450** | 295,954 |

The credit period granted to trade customers other than for retention receivables was within 45 days. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

The ageing analysis of the trade receivables based on invoice date was as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 1 to 30 days | **59,606** | 147,822 |
| 31 to 60 days | **45,725** | 56,011 |
| Total | **105,331** | 203,833 |

As at 31 March 2017, there were no trade and retention receivables which were past due but not impaired (2016: Nil).

## 10 TRADE AND RETENTION PAYABLES

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **68,372** | 74,955 |
| Retention payables | **11,162** | 12,352 |
| Total trade and retention payables | **79,534** | 87,307 |

The ageing analysis of the trade payables based on invoice date was as follows:

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **67,127** | 67,645 |
| 31 to 60 days | **387** | 510 |
| 61 to 90 days | **28** | – |
| 91 to 180 days | **–** | 6,524 |
| 181 to 365 days | **–** | 89 |
| More than 365 days | **830** | 187 |
| | **68,372** | 74,955 |

## MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the annual results of the Group for the year ended 31 March 2017 (the "Year"/"2017"), together with comparative figures for the previous year ended 31 March 2016 (the "Previous Year"/"2016").

## BUSINESS REVIEW AND OUTLOOK

### Group Revenue and Profit

The Group's revenue for the Year was HK$818 million, representing a decrease of 23% as compared with the Previous Year (2016: HK$1,061 million). As discussed in the last Annual Report and Interim Report of the Company, the number of tenders available during the Year was limited largely due to the backlog in funding approval of public works and infrastructure projects as a result of filibusters in the Legislative Council in Hong Kong. With the Composite Development Project in Macau completed in the Previous Year, the Group continued during the Year to work on the three projects in Hong Kong, namely the Proposed Commercial/Residential Development in Wong Tai Sin District, Liantang/Heung Yuen Wai Boundary Control Point and Hospital Expansion projects. The Group's revenue for the Year declined as there was no new contract obtained other than the above.

The gross profit and gross margin of the Group for the Year was HK$145 million and 18% respectively (2016: HK$210 million and 20% respectively). As disclosed in the last Annual Report and Interim Report of the Company, despite the relatively large size of the Hospital Expansion project contract, more than half of the contract value was related to non-bored piling works, which were sub-contracted and the margin of these works was relatively low. In addition, the gross profit margin of the Group was squeezed by the overhead costs in relation to equipment depreciation and labour.

The Group's net profit for the Year was HK$79 million, representing a decrease of 48% (2016: HK$153 million). The decrease was mainly due to a drop in contract revenue and profit margin as discussed above.

## Major Projects during the Year

| | Completion status as at 31 March 2017 | Expected completion date | Estimated remaining value of works *(HK$)* *(Note)* |
|---|---|---|---|
| Proposed Commercial/Residential Development in Wong Tai Sin District | Around 40% | Mid-2018 | 80 million |
| Liantang/Heung Yuen Wai Boundary Control Point | Almost completed | Mid-2017 | 13 million |
| Hospital Expansion | Around 40% | 2019 | 900 million |

*Note:*

The above remaining values of works were determined with reference to internal estimates based on currently available information and may be subsequently revised.

### *Proposed Commercial/Residential Development in Wong Tai Sin District*

This project involving installation of lateral support works was awarded in April 2015. The total contract value is about HK$320 million (including contingent payment and/or provisional sum), with the first phase valued at an estimated HK$140 million. As mentioned in the last Annual Report and Interim Report, certain technical complications in the first phase of the project had commanded part of the works to be re-designed and re-scheduled. As a result, only a minimal amount of contract works was carried out during the Year.

As at 31 March 2017, around 40% of the first phase of installation of lateral support works for the project was completed. The remaining 60% of the works are expected to be completed by mid-2018.

### *Liantang/Heung Yuen Wai Boundary Control Point*

The Liantang/Heung Yuen Wai Boundary Control Point is part of the Hong Kong boundary crossing facilities managed by the Civil Engineering and Development Department. The Group signed a pre-bid agreement in relation to the bored piling subcontractor works with the main contractor at the time of the tender in 2013. Funding of the project was finally approved by the Legislative Council in June 2015 and the relevant contracts were subsequently awarded.

As mentioned in the last Annual Report and Interim Report, subsequent changes were made to the design plans of the project after the Group had started work on the construction sites. Based on the design available in early 2016, the original estimated value of the works was about HK$470 million. During the Year, based on the latest available information, the estimated value of the works is increased to about HK$560 million.

As at 31 March 2017, the works for the project were almost completed and generated revenue amounting to around 48% of the Group's total revenue for the Year. According to the latest works programme, the remaining small portion of the project is expected to be completed around mid-2017.

***Hospital Expansion***

In July 2015, the Group was awarded the main contract for foundation and associated works of United Christian Hospital by the Hospital Authority. The contract is valued at HK$1,780 million, and after deducting all contingent and/or provisional sums, the actual revenue is estimated at approximately HK$1,400 million.

More than half of the project value is for demolition of existing buildings, site formation and road reconstruction to prepare for expansion of the hospital. Construction of the foundation piles accounts for the remaining contract value.

This project contributed revenue amounting to about 49% of the Group's total revenue during the Year. The works carried out during the Year included primarily demolition of existing buildings and bore piling works for new buildings.

As at 31 March 2017, around 40% of the project was completed and the entire Hospital Expansion project will last around four years till 2019.

**Business Outlook and Recent Development**

As discussed in the last Annual Report and Interim Report, as a result of the delays in funding approval of public works and infrastructure projects because of filibusters in the Legislative Council, there was fierce price competition for tenders in the construction market during the Year. Furthermore, the tenders available for the Group to bid were limited. To cope with the less than desirable circumstance, the Group has scaled down its workforce and overhead costs heeding the size and stage of ongoing projects. The management is mindful of market conditions and is prepared for the low season to prevail for the ensuing year before the construction market warms up again at the clearing of the public projects backlog.

Currently, the Group is maintaining a healthy financial position, and has sufficient reserves of foundation machinery and equipment as well as a pool of professional management personnel and skilful labour to meet the requirement of projects in the tender pipeline. With the government keen in the roll out of the Hong Kong 2030+ Development Strategy, the management believes the demand for housing and infrastructure will continue to be strong, adding to the large number of projects to be tabled in the Legislative Council and the various development plans covered in the 2016 and 2017 Policy Address.

***Investment in property holding companies***

On 29 March 2017, the Group signed a sale and purchase agreement to acquire 5% of the entire issued share capital of Gold Champion Enterprises Limited ("Gold Champion") for a cash consideration of HK$19,750,000, subsequent to the announcement on 20 October 2016 regarding a memorandum of understanding signed between the two companies about exploring potential co-operation for land development on certain pieces of land in Hong Kong held by Gold Champion. The sale and purchase agreement was completed on 31 March 2017.

Gold Champion owns two residential land parcels in Yuen Long and one industrial land parcel in Fanling. The total gross floor area of the Residential Lands is about 14,270 square metres and that of the Industrial Land is about 1,860 square metres. The aggregate market value of the three land parcels as at 20 March 2017 was HK$432,000,000, according to a valuation report issued by an independent valuer.

Bringing to the partnership its wealth of expertise, skills and experience in construction, the Group expects the co-operation with Gold Champion to open business opportunities for it and drive the development of its business.

## FINANCIAL REVIEW AND ANALYSIS

Despite the decrease in revenue and profit, as discussed above, the Group's financial position remained healthy for the Year. The current ratio was 1.4 times (2016: 1.7 times) and the total cash and bank balance was approximately HK$369 million as at 31 March 2017 (2016: HK$221 million). The Group had a net cash position as at 31 March 2017 (2016: net gearing of 13%). The Group also maintained a stable dividend payout ratio at about 32% for the Year (2016: 33%).

### Administrative Expenses

Administrative expenses increased by 22% from approximately HK$37 million to approximately HK$45 million for the Year. In the Previous Year, however, administrative expenses were partly offset by the recovery and write back of costs and provision after certain litigations were concluded. If legal and professional fees in both years were excluded, administrative expenses for the Year would have been remained stable.

## Finance Cost

Finance cost for the Year was approximately HK$10.3 million, representing a decrease of approximately 12% compared to approximately HK$11.7 million in the Previous Year.

## Taxation

The effective tax rate of the income tax expense for the Year was 13% (2016: 8%). Unlike the Previous Year, about 99% of the construction revenue for the Year was generated from Hong Kong projects, with the assessable profit subject to a 16.5% tax rate in Hong Kong. The lower effective tax rate in the Previous Year was resulted mainly because (i) about 60% of the construction revenue was generated from a major project in Macau and the statutory tax rate there was lower than in Hong Kong; and (ii) there was rental income earned by subsidiaries in Hong Kong in relation to leasing of machinery and equipment for use in Macau projects, which was regarded as offshore income and therefore not subjected to taxation in Hong Kong and Macau.

## Profit and Net Profit Margin

As a result, the Group's profit after tax was approximately HK$79 million (2016: HK$153 million), representing a year-on-year decrease of approximately 48%. Net profit margin was 10% (2016: 14%).

## Capital Expenditures and Capital Commitments

The Group generally finances its capital expenditures by internal resources, long-term bank loans and finance leases. The Company also secured additional financial resources from its listing in 2014. During the Year, the Group invested approximately HK$53 million in machinery and equipment. As at 31 March 2017, the Group's capital commitments relating to purchase of machinery and equipment was nil (2016: HK$4 million).

During the Year, save as disclosed herein, the Group did not make any material acquisitions or disposals of assets.

## Liquidity, Financial Resources and Gearing

### *Liquidity*

The Group generally meets its working capital requirements by cash flows generated from its operations and short-term borrowings. During the Year, the Group generated from operating activities a net cash inflow of approximately HK$295 million, which was more than that in the Previous Year (2016: HK$190 million). That was mainly because the about HK$204 million trade receivables outstanding at 31 March 2016 were collected during the Year. Together with short-term bank loans and overdraft facilities available, the Group's daily operations had been financially sound throughout the Year.

### *Use of Proceeds*

All of the remaining net proceeds from the IPO in the amount of HK$52 million as at 31 March 2016 was applied in acquiring machinery and equipment during the Year in accordance with intended uses. Thus, as at 31 March 2017, the Company had no remaining net proceeds from its IPO.

### *Cash and Bank Balances*

As at 31 March 2017, the Group had a total cash and bank balances of approximately HK$369 million (2016: HK$221 million) mainly denominated in Hong Kong dollars and Macau patacas. The increase in cash and bank balances was mainly due to the net cash generated from operating activities during the Year.

### *Borrowings*

As at 31 March 2017, the Group had total borrowings of approximately HK$252 million (2016: HK$288 million) denominated in either Hong Kong dollars or Euros. Borrowings generally include short-term and long-term bank loans, finance leases and overdrafts bearing floating interest rates. Of the total borrowings, approximately HK$137 million (2016: HK$36 million) were short-term bank loans and bank overdrafts and approximately HK$62 million (2016: HK$118 million) was the current portion of long-term bank loans and obligations under finance lease with maturity dates within 12 months. This analysis excludes those long-term borrowings with an immediate demand clause that were classified under current liabilities.

### *Gearing Ratio and Total Equity*

As at 31 March 2017, the Group had a net cash position (2016: net gearing of 13%) (net borrowings divided by total equity). The Group's net cash position was mainly attributable to the profits from operations and the reduction in capital expenditure on machinery and equipment. For the purpose of calculating the Group's net gearing ratio, net borrowings refer to the total borrowings less cash and cash equivalents, short-term bank deposits and restricted bank balances pledged as security for credit facilities of the Group.

As at 31 March 2017, the Group's net current assets were approximately HK$169 million (2016: HK$232 million) and current ratio (current assets divided by current liabilities) was 1.4 times (2016: 1.7 times). The Group's total equity as at 31 March 2017 was approximately HK$696 million (2016: HK$655 million).

**Foreign Exchange Exposure**

Operations of the Group are mainly conducted in Hong Kong dollars and Macau patacas. The Group's revenue, expenses, cash and bank balances, borrowings, other monetary assets and liabilities are also principally denominated in those two currencies. Other than the purchase orders for machinery and equipment paid in Euros and Singapore dollars and such short-term Euros borrowings for settlement, the Group was not exposed to any significant foreign currency risk and had not employed any financial instrument for hedging.

**Contingent Liabilities**

As at 31 March 2017, save for guarantees of performance bonds relating to two foundation works and ancillary services projects of the Group of approximately HK$18 million and HK$17 million, respectively (2016: same), the Group did not have any material contingent liabilities. The performance bonds are expected to be released in accordance with the terms of the respective construction contracts.

**Pledge of Assets**

As at 31 March 2017, the net book amount of plant and equipment held under finance leases and pledged for long-term bank loans was approximately HK$124 million (2016: HK$210 million) and approximately HK$123 million (2016: HK$139 million), respectively. None of the banking facilities of the Group were secured by the Group's bank deposits (2016: none).

**Events after the Reporting Period**

In June 2017, the directors (including all of the independent non-executive directors) of the Company resolved to partially return HK$17 million out of the deposit of HK$20 million, which was placed into the Group by the controlling shareholders pursuant to the Deed of Indemnity (as referred in the prospectus of the Company dated 29 September 2014), together with all the bank interests earned by the deposit to the controlling shareholders in view of the updated tax positions mentioned below and the estimate made by the tax adviser of the Company. Mr. Lau Chun Ming and Ms. Leung Lai So, being the indemnifiers abstained from voting in relation to the said resolution in the board meeting.

Pursuant to the latest tax opinion on the Macau tax positions for the years 2013 and 2014 issued by Reanda EFA; and the tax opinion on the Hong Kong and Macau tax positions for the years 2013 and 2014 issued by Lau & Au Yeung C.P.A. Limited on 13 June 2017, (a) the final and conclusive tax assessment and final tax demand note for the years 2013 and 2014 were issued by the tax authority in Macau, the Group has fully settled the required tax for the years of assessment of 2013 and 2014 in Macau; the Macau tax assessment for the years 2013 and 2014 have been concluded, final and settled and (b) there is no tax liability so far demanded by Hong Kong tax authority in respect of the transactions and income contemplated under the Machinery Lease Agreement and the Machinery Agency Agreement and they are satisfied to conclude that no additional tax provisions are required for the above. Besides, their opinion is line with the Hong Kong tax opinions provided by Lau & Au Yeung C.P.A Limited and provided by PricewaterhouseCoopers, both of which dated 29 September 2014.

Notwithstanding the return of the said HK$20 million (whether in part or in full) from the Group, the controlling shareholders irrevocably confirmed that, all their obligations, save for deposit a sum of HK$20 million to the Group, set out in the Deed of Indemnity remain valid.

## OTHER INFORMATION

### Human Resources

As at 31 March 2017, the Group had approximately 210 (2016: 250) employees. The remuneration package includes salary, discretionary bonuses and allowances. In general, the Group determines employee salaries based on the individual's qualifications, position and performance (where applicable).

### 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.

### Corporate Governance

The Company had complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Year.

### Model Code of Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules upon Listing. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the required standards as set out in the Model Code throughout the Year.

## Review of Annual Results

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the financial year 31 March 2017. The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2017 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## Final Dividend and Annual General Meeting

The Directors recommended the payment of a final dividend of HK1.0 cent per share amounting to approximately HK$16.8 million, together with an interim dividend of HK$8.4 million paid in December 2016 representing approximately 32% dividend ratio on an annual basis. Such payment of dividends will be subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 7 September 2017 and are payable to shareholders whose names appear on the register of members of the Company at the close of business on 14 September 2017. It is expected that the proposed final dividend will be paid on or about 6 October 2017. Notice of the annual general meeting will be published and despatched to shareholders of the Company in the manner required by the Listing Rules in due course.

## Closure of Register of Members

In order to establish entitlements to attend and voting at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Monday, 4 September 2017 to Thursday, 7 September 2017, both days inclusive, during which period no transfer of share of the Company will be registered. All transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 1 September 2017.

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed on Thursday, 14 September 2017, during which no transfer of share of the Company will be registered. All transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 13 September 2017.

**Publication of Results Announcement and Annual Report**

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.samwoo-group.com. The annual report will be despatched to the shareholders of the Company and available on the above websites in due course.

On behalf of the Board of
**Sam Woo Construction Group Limited**
**Lau Chun Ming**
*Chairman*

Hong Kong, 23 June 2017

*As at the date of this announcement, the executive directors are Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So; and the independent non-executive directors are Professor Wong Sue Cheun, Roderick, Mr. Chu Tak Sum and Mr. Ip Tin Chee, Arnold.*