

**2017**  
Annual Report

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. KONG Kin I (*Chairman and Chief Executive Officer*)  
Ms. CHOI Fong Lan

#### Independent Non-Executive Directors

Mr. CHEUNG Kin Wing  
Mr. CHEUNG Wai Lun Jacky  
Mr. ZHAO Zhipeng

#### AUDIT COMMITTEE

Mr. CHEUNG Kin Wing (*Chairman*)  
Mr. CHEUNG Wai Lun Jacky  
Mr. ZHAO Zhipeng

#### REMUNERATION COMMITTEE

Mr. CHEUNG Kin Wing (*Chairman*)  
Mr. CHEUNG Wai Lun Jacky  
Mr. KONG Kin I

#### NOMINATION COMMITTEE

Mr. KONG Kin I (*Chairman*)  
Mr. CHEUNG Wai Lun Jacky  
Mr. ZHAO Zhipeng

#### COMPANY SECRETARY

Mr. FAN Cheuk Lun

#### AUTHORISED REPRESENTATIVES

Mr. KONG Kin I  
Mr. FAN Cheuk Lun

#### REGISTERED OFFICE

Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

#### HEADQUARTER IN MACAU

L17 Pak Tak (China Civil Plaza)  
No. 249-263 Alameda  
Dr. Carlos d'Assumpção  
Macau

#### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office No. 5, 20/F,  
Nam Wo Hong Building  
148 Wing Lok Street  
Hong Kong

#### AUDITOR

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

#### COMPLIANCE ADVISER

Red Sun Capital Limited  
Room 3303, 33/F West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Sheung Wan  
Hong Kong

#### PRINCIPAL BANKERS

Bank of China Macau Branch  
Bank of China Building  
Avenida Doutor Mario Soares  
Macau

Bank of China (Hong Kong) Limited  
1 Garden Road  
Hong Kong

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

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

#### HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

#### STOCK CODE

1722

#### COMPANY WEBSITE

[www.kinpang.com.mo](http://www.kinpang.com.mo)

#### INVESTOR RELATIONS CONTACT

Cloud Communications Limited  
Room 906, 9/F, Wing On Centre  
111 Connaught Road Central  
Sheung Wan  
Hong Kong

# CHAIRMAN'S STATEMENT

## Dear Shareholders,

On behalf of the Board of Directors of Kin Pang Holdings Limited (the "Company"), I am pleased to present the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017.

## COMPANY OVERVIEW

The Group is an integrated construction contractor which provides (i) building and ancillary services; and (ii) emergency repair services, solely in Macau. Since the establishment in 2006, the Group has accumulated experience in providing a wide spectrum of construction services to its customers. The services are required in various building and construction projects in relation to hotel and casino resorts, infrastructures of electricity and water supply, and public amenities and utilities (such as carriageways, footpaths, drains and sewers).

The building and ancillary services mainly included foundation associated works, hard landscaping, alteration and addition works, road works, water pipe works, electrical and mechanical works and other ancillary building works. The emergency repair services typically refer to our provision of repair services in relation to infrastructure of electricity and water supply on a term contract basis.

The Group's competitive strengths, which set the Group apart from its competitors and enable the Group to continue its growth and enhance its profitability, comprise (i) established presence in the construction industry in Macau; (ii) diversified experience and capabilities in a wide spectrum of construction services; (iii) stable relationships with some of its major customers; (iv) stringent quality control and high safety standard and environmental impact control; (v) experienced and dedicated management team; (vi) possession of a variety of machinery to carry out construction works; and (vii) its extensive network with its pool of suppliers and subcontractors.

## BUSINESS REVIEW

During the year ended 31 December 2017, the Group completed 50 building and ancillary services projects and was awarded 61 building and ancillary services projects. The Group's revenue increased by approximately 39.4% from approximately MOP176.0 million for the year ended 31 December 2016 to approximately MOP245.4 million for the year ended 31 December 2017. For the year ended 31 December 2017, excluding the one-off listing expenses incurred, the Group recorded profit after tax of approximately MOP22.2 million, representing a decrease of approximately 14.6% over the previous financial year.

## MARKET REVIEW

According to the Frost & Sullivan Report, the estimated revenue of building and ancillary services market in Macau has grown from approximately MOP13.4 billion in 2012 to approximately MOP47.1 billion in 2016, representing a compound annual growth rate (the "CAGR") of approximately 36.9%. Driven by the growing demand for the building and ancillary services from redevelopment of gambling and tourism industry and supportive policies in new construction works, it is expected that building and ancillary services market in Macau will continue to expand at a CAGR of approximately 17.7%, increase from approximately MOP56.7 billion in 2017 to approximately MOP108.8 billion in 2021.

## CHAIRMAN'S STATEMENT

### OUTLOOK

The Group aims to further strengthen its position as an integrated construction contractor in Macau by expanding its scale of operation through its intended effort in actively seeking opportunities in undertaking additional building and ancillary services projects and emergency repair services projects, from both existing and potential new customers, on top of its present scale of operation and its current projects on hand. The capital raised through the listing of the shares of the Company (the "Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing") would strengthen the Group's cashflow position which in turn will enable the Group to undertake more potential new projects and/or projects in larger scale in terms of contract sum in light of the expected growth in market size of construction market in Macau. The Listing would also enable the Group to further expand its in-house team with high caliber so as to explore new business opportunities and provide quality services to its customers in Macau. In addition the Listing would enable the Group to obtain debt financing with more favourable terms from financial institutions, and will allow the Group to strengthen its profile, creditability, internal and corporate governance practice, regulatory supervision and financial transparency, which in turn will enhance our competitiveness among other construction contractors in Macau.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our shareholders, business partners and other professional parties for their continuous support. I would also like to thank our management team and employees for their exceptional effort and valuable contribution during this year. We look forward to continuing this success moving forward.

**Kong Kin I**

*Chairman*

Hong Kong

28 March 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

On 15 December 2017, the Shares were listed on the Main Board of the Stock Exchange.

The Group is an integrated construction contractor which provides (i) building and ancillary services; and (ii) emergency repair services. The services are required in various building and construction projects in relation to hotel and casino resorts, infrastructures of electricity and water supply, and public amenities and utilities (such as carriageways, footpaths, drains and sewers).

The Group's revenue was derived from Macau and the Group was engaged in projects in both private and public sectors. Public sector projects refer to projects of which the project employer is the Macau Government, while private sector projects refer to projects that are not within the public sector. The Group's customers mainly included (i) hotel and casino owners or their main contractors; (ii) electricity and water utility companies; and (iii) the Macau Government.

During the year ended 31 December 2017, 61 building and ancillary services projects with an aggregate contract sum of MOP121.1 million were awarded. The Group had completed 50 building and ancillary services projects. As at 31 December 2017, the Group's backlog included 27 building and ancillary services projects, with an aggregate outstanding contract sum of MOP73.2 million.

## FINANCIAL REVIEW

### Revenue

The following table sets forth a breakdown of the Group's revenue by business segments during the years ended 31 December 2017 and 2016:

	Year ended 31 December			
	2017		2016	
	MOP'000	%	MOP'000	%
Building and ancillary services	233,585	95.2	163,003	92.6
Emergency repair services	11,847	4.8	13,036	7.4
Total	245,432	100.0	176,039	100.0

During the year ended 31 December 2017, the Group's revenue increased by approximately MOP69.4 million or 39.4%. The increase was attributable to increase in building and ancillary services revenue of approximately MOP70.6 million or 43.3%. The increase in building and ancillary services revenue was mainly due to more foundation associated works of building and ancillary services projects with revenue recognised for the year ended 31 December 2017 as compared to the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW *(Continued)*

#### Gross Profit and Gross Profit Margin

During the year ended 31 December 2017, the Group's gross profit increased by approximately MOP4.3 million or 12.7% from approximately MOP34.1 million for the year ended 31 December 2016 to approximately MOP38.4 million for the year ended 31 December 2017. The increase in gross profit was mainly resulted from increase in the revenue.

The Group's gross profit margin decreased from approximately 19.4% for the year ended 31 December 2016 to approximately 15.7% for the year ended 31 December 2017. The decrease in gross profit margin was mainly attributable to lower gross profit margin from the building and ancillary services as a result of lower profit margin of building and ancillary services projects were awarded and recognised, as well as the delay of the completion time of large scale building and ancillary services projects.

#### Other Income, Gains and Loss, Net

The Group's other income increased by approximately MOP56,000 or 30.6% from approximately MOP183,000 for the year ended 31 December 2016 to approximately MOP239,000 for the year ended 31 December 2017. Such increase was mainly attributable to the increase sponsor income from nil for the year ended 31 December 2016 to approximately MOP128,000 for the year ended 31 December 2017, offset by decrease of sundry income from approximately MOP183,000 for the year ended 31 December 2016 to approximately MOP111,000 for the year ended 31 December 2017.

#### Administrative Expenses

The Group's administrative expenses increased by approximately MOP6.7 million or 114.3% from approximately MOP5.9 million for the year ended 31 December 2016 to approximately MOP12.6 million for the year ended 31 December 2017. Such increase was mainly attributable to (i) the increase in staff costs (including directors' emoluments) of approximately MOP4.6 million due to the increase in the number of employees in administration, accounting and finance department and the increase in directors' emoluments; (ii) the increase in the auditor's remuneration of approximately MOP1.1 million; and (iii) the increase in rent of approximately MOP0.8 million due to the increase in rental expenses on staff quarter, offices in Hong Kong and Macau.

#### Listing Expenses

The Group incurred listing expenses of approximately MOP16.1 million for the year ended 31 December 2017 while the Group did not incur any listing expenses for the year ended 31 December 2016.

#### Finance Costs

The Group's finance costs decreased by approximately MOP48,000 or 24.1% from approximately MOP199,000 for the year ended 31 December 2016 to approximately MOP151,000 for the year ended 31 December 2017. Such decrease was mainly attributable to the bank borrowings decreased by approximately MOP1.1 million during the year ended 31 December 2017, which in turn decreased the interest expenses incurred.

#### Income Tax Expense

The Group's income tax expense increased by approximately MOP1.5 million or 68.0% from approximately MOP2.2 million for the year ended 31 December 2016 to approximately MOP3.8 million for the year ended 31 December 2017. The Group's effective tax rate increased to approximately 38.4% for the year ended 31 December 2017. Such increase was mainly attributable to the non-tax deductible professional services fees in respect to the listing of the Shares incurred in 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW *(Continued)*

#### Profit and Total Comprehensive Income

The Group's profit and total comprehensive income for the year decreased by approximately MOP19.9 million or 76.7% from approximately MOP26.0 million for the year ended 31 December 2016 to approximately MOP6.1 million for the year ended 31 December 2017, which was mainly attributable to the combined effect of the aforementioned items.

#### Basic Earnings per Share

The Company's basic earnings per Share for the year ended 31 December 2017 was approximately MOP0.78 cents (2016: MOP3.61 cents), representing a decrease of approximately MOP2.83 cents or 78.4% which is in line with the profit for the year attributable to owners of the Company when compared to the year ended 31 December 2016.

#### Final Dividend

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: MOP8.9 million).

### PRINCIPAL RISKS AND UNCERTAINTIES

#### Failure to Bid New Contract

The Group's revenue is typically derived from projects which are non-recurrent in nature. The Group secured new businesses mainly through direct invitation for quotation or tender by customers. Save as the emergency repair services which are in general provided for a term contract basis, the Group generally do not enter into long-term agreements with its customers and its customers are therefore under no obligation to award projects to the Group. As such, there is no guarantee that the Group will be able to secure new businesses from customers after completion of the existing awarded projects. Accordingly, the number and scale of projects and the amount of revenue the Group are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business.

#### Deviation from The Actual Time and Costs Involved in Projects

The Group needs to estimate the time and costs involved in a project in order to determine its quotation or tender price. There is no assurance that the actual amount of time and costs would not exceed the Group's estimation during the performance of its projects. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, unforeseen site conditions, departure of key project management personnel involved, non-performance by the Group's subcontractors, unexpected significant increase in costs of construction materials agreed to be borne by us, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect the Group's financial condition, profitability and liquidity. In the event that the Group fails to secure new contracts or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, the business and financial positions and prospects of the Group could be materially and adversely affected.



## MANAGEMENT DISCUSSION AND ANALYSIS

### PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

#### Uncertain External Factors

The future growth and level of profitability of the construction industry in Macau are likely to depend primarily upon the continued availability of major construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, for example, the Macau Government's spending patterns on the construction industry in Macau, the investment of property developers and land owners, the general conditions and prospects of Macau's economy, cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. Furthermore, the economy of Macau substantially relies on its gaming industry, which can be affected by various factors, including policies and measures adopted by the PRC and Macau governments. In recent years, the gaming industry experienced slowdown primarily due to the anti-corruption measures adopted by the PRC Government.

As a result, there is no assurance that the number of construction projects in Macau will maintain at a desired level or continue the rising trend in the future. In case of a drop of construction activities in any circumstances, the Group's business and results of operations will probably be adversely affected. In the event that the downturn in the economy of Macau continues or takes a turn for the worse, which may be due to a recurrence of recession in Macau, deflation or any changes in Macau's currency policy, or a decrease in the demand for building and ancillary works in Macau, the Group's financial position and results of operations may be materially and adversely affected.

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

The Group's customers mainly include (i) hotel and casino owners or their main contractors; (ii) electricity and water utility companies; and (iii) the Macau Government. The Group has long-standing business relationship with some of major customers. The Directors believe a strong relationship with customers would increase the Group's recognition and visibility in the construction industry in Macau. The Group can leverage on its existing relationship with major customers to further develop new business opportunities in the construction industry.

The Group has established and maintained working relationship with a network of suppliers and subcontractors. In the event that any of the suppliers and subcontractors fail to provide favourable price quotation, deliver materials in a timely manner or complete works assigned up to the Group's required standard, the Group still has other approved suppliers and subcontractors in its list for replacement. The Directors believe that such extensive network with major suppliers and subcontractors will enable us to have higher chances in winning construction projects.

The Group has adopted the risk management and control measures in order to ensure subcontractors' compliance with the terms of the subcontracting contracts and the relevant laws, rules and regulations regarding occupational health and safety and environmental protection. The Group conducts regular reviews, checks and inspections on the work done by the subcontractors to ensure that the works done are in line with the contract terms. The Group supplies its subcontractors with the Group's internal guidelines on occupational health and safety and environmental protection issues and on compliance with applicable rules and regulations, and require them to follow.

The Group has an experienced management team in the Macau construction industry and have maintained good relationship with its employees. The Group has not experienced any significant problems with the employees or any disruption to the operations due to labour disputes nor has the Group experienced any material difficulties in the recruitment and retention of experienced core staff or skilled personnel. The Group provides various training to the employees and sponsor the employees to attend various training courses, such as those on occupational health and safety in relation to the work.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group believes that its stringent quality assurance system and strong commitment to environmental management will allow the Group to be better positioned to deliver quality works on time and within budget, thereby strengthening its position as an established construction contractor in Macau.

The Group has set up an environmental management system to promote environmental awareness and to prevent pollution of the environment resulting from projects undertaken by the Group. Since June 2015, the Group assessed and certified to have complied with the requirements of ISO 14001:2004 (currently ISO 14001:2015) for its environmental management system.

### COMPLIANCE WITH RELEVANT REGULATIONS

The Group mainly undertakes building and ancillary services and emergency repair services in Macau. The Directors confirmed that during the year ended 31 December 2017 and up to the date of this annual report, the Group had obtained all the registrations and certifications required for its business and operations and had complied with the applicable laws and regulations in Macau and Hong Kong in all material respects.

### CORPORATE FINANCE AND RISK MANAGEMENT

#### Liquidity and Financial Resources and Capital Structure

The Group adopts a prudent approach in cash management to minimise financial and operational risks. The Group's operations mainly rely on internally generated cash flows and bank borrowings.

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.

As at 31 December 2017, the Group had bank balances and cash of approximately MOP120.6 million (2016: MOP37.4 million) and had no bank overdrafts (2016: Nil).

As at 31 December 2017, the Group had an aggregate of pledged bank deposits of approximately MOP0.2 million (2016: MOP0.2 million) that are used to secure banking facilities.

As at 31 December 2017, bank borrowings amounted to approximately MOP3.6 million (2016: MOP4.7 million) of which approximately MOP1.1 million, MOP0.6 million, MOP1.3 million, and MOP0.6 million (2016: MOP1.1 million, MOP1.1 million, MOP1.5 million, and MOP1.0 million) will mature within one year, one year to two years, two years to five years and more than five years, respectively.

Current ratio increased from 2.0 times as at 31 December 2016 to 3.3 times as at 31 December 2017. It was mainly due to the net proceeds from the Listing.

Gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business divided by the total equity as at the reporting dates. Gearing ratio decreased from 16.8% as at 31 December 2016 to 1.8% as at 31 December 2017. It was mainly due to the increase in the total equity and decrease in the amount of non-trade amount due to related parties.

As at 31 December 2017, the share capital and equity attributable to owners of the Company amounted to approximately MOP10.3 million and approximately MOP197.5 million, respectively (2016: MOP0.3 million and MOP87.7 million, respectively).

## MANAGEMENT DISCUSSION AND ANALYSIS

### CORPORATE FINANCE AND RISK MANAGEMENT *(Continued)*

#### Capital Commitments

At as 31 December 2017, the Group had operating lease commitments of approximately MOP2.6 million (2016: MOP2.4 million).

At as 31 December 2017, the Group had no capital commitments (2016: MOP0.4 million).

#### Contingent Liabilities

As at 31 December 2017, performance guarantee of approximately MOP36.9 million (2016: MOP38.0 million) were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. The Group has contingent liabilities to indemnify the bank for any claims from customers under the guarantee due to the failure of the Group's performance. The performance guarantee will be released upon completion of the contract works. The performance guarantees were granted under the banking facilities with details as set out in note 22 to the consolidated financial statements. At the end of the reporting period, the management of the Group does not consider it is probable that a claim will be made against the Group.

#### Exposure to Fluctuations in Exchange Rates and Interest Rates and Corresponding Hedging Arrangements

The Group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Group is exposed to currency risk primarily through sales proceeds received from customers and the proceeds from issue of shares upon share offer that are denominated in a currency other than the group entities' functional currency. The currencies giving rise to this risk are primarily Hong Kong dollar.

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

#### Interest Rate Risk

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's pledged bank deposits and bank balances and MOP best lending rate arising from the Group's variable-rate bank borrowings.

#### Credit Exposure

The Group's credit risk is primarily attributable to trade receivables, retention receivables and bank balances as at 31 December 2017 and 2016 and also loan to an associate and amount due from a related party as at 31 December 2016.

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 amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period.

Management of the Group adopted a policy on providing credit facilities to new customers. A credit investigation of the customers or the ultimate customers if those contracts allow the Group to obtain payment directly from the ultimate customers under certain circumstances, including assess to financial information, advice from business partners in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CORPORATE FINANCE AND RISK MANAGEMENT *(Continued)*

#### Credit Exposure *(Continued)*

The Group has concentration of credit risks with exposure limited to certain customers. The top three debtors amounting to approximately MOP17.7 million (2016: MOP27.7 million) comprised approximately 57% (2016: 74%) of the Group's trade receivables as at 31 December 2017. Management of the Group closely monitors the subsequent settlement of the customers. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk for pledged bank deposits and bank balances is considered not material as such amounts are placed in banks with good reputations.

The Group has concentration of credit risk on amounts due from a related party and loan to an associate as at 31 December 2016. Details are disclosed in note 21 to the consolidated financial statements. The management of the Group considers the counterparties with good credit worthiness based on its past repayment history and subsequent settlement.

### EMPLOYEES

The Group had 87 full-time employees as at 31 December 2017 (2016: 64).

The Group offers remuneration packages that includes salary, discretionary bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of the decisions with respect to salary raises, bonuses and promotions.

The Group's gross staff costs from operations (including the Director's emoluments) was approximately MOP41.8 million for the year ended 31 December 2017 (2016: MOP24.2 million).

The Company adopted a share option scheme so that the Company may grant options to the eligible persons as incentives or rewards for their contributions to the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PROCEEDS FROM THE SHARE OFFER

The Shares have been listed and traded on the Main Board of the Stock Exchange since 15 December 2017.

The net proceeds from the share offer (the "Share Offer") as defined in the prospectus of the Company dated 30 November 2017 (the "Prospectus") amounted to approximately HK\$72.0 million (equivalent to approximately MOP74.2 million) (after deducting underwriting fees and commissions and all related expenses). Such net proceeds are intended to be applied in the same manner and the same proportion as disclosed in the Prospectus and the announcement of the Company in relation to the allotment result dated 14 December 2017. The below table sets out the proposed applications and utilised amounts of the net proceeds up to the date of this annual report.

	Net proceeds (HK\$ million)		
	Available	Utilised	Unutilised
Financing for the issue of performance guarantees for future projects	39.6	–	39.6
Acquisition of additional machinery and equipment	14.4	0.8	13.6
Further strengthening manpower	10.8	–	10.8
General working capital	7.2	5.8	1.4
	72.0	6.6	65.4

As at the date of this annual report, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of the Group.

### PROSPECTS AND STRATEGIES

The Group believes that there will be the growing demand in the construction industry in Macau in the foreseeable future.

According to the Frost & Sullivan Report, the estimated revenue of building and ancillary services market in Macau has grown from approximately MOP13.4 billion in 2012 to approximately MOP47.1 billion in 2016, representing a CAGR of approximately 36.9%. Driven by the growing demand for the building and ancillary services from redevelopment of gambling and tourism industry and supportive policies in new construction works, it is expected that building and ancillary services market in Macau will continue to expand at a CAGR of approximately 17.7%, increase from approximately MOP56.7 billion in 2017 to approximately MOP108.8 billion in 2021.

The Group's principal business objective is to further strengthen its position as an integrated construction contractor in Macau. The Group intends to achieve its business objective by expanding its scale of operation through its intended effort in actively seeking opportunities in undertaking additional building and ancillary services projects and emergency repair services projects, from both existing and potential new customers, on top of its present scale of operation and its current projects on hand.

The Directors intend to apply (i) approximately HK\$39.6 million (equivalent to approximately MOP40.8 million) to finance the issue of performance guarantees for future projects; (ii) approximately HK\$14.4 million (equivalent to approximately MOP14.8 million) to acquire additional machinery and equipment; and (iii) approximately HK\$10.8 million (equivalent to approximately MOP11.1 million) to further strengthen the manpower; and (iv) approximately HK\$7.2 million (equivalent to approximately MOP7.4 million) will be used as the general working capital.

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Kong Kin I (龔健兒先生)**, aged 48, co-founded the Group in June 2006, and was appointed as a Director on 22 June 2017 and was re-designated as the Chairman, executive Director and chief executive officer on 20 July 2017. Mr. Kong is primarily responsible for overall management of the corporate strategic planning, business development and daily operation of the Group. He also serves as the director of each subsidiary of the Company.

Mr. Kong has over 26 years of experience in construction industry. He founded Kin Pang Construction and Engineering Company Limited ("Kin Pang") in June 2006 and Constructor Civil Kong Kin I in March 1991 respectively. Mr. Kong was appointed as a vice president of Macau Association of Concrete Inspection, Maintenance and Waterproofing (澳門混凝土檢測維修及防水工程協會) in March 2016. Mr. Kong was also appointed as a vice president of 澳門順德工商業聯合會 (Shun De Federation and Commercial Union Association of Macao\*) since September 2016.

Mr. Kong is the husband of Ms. Choi Fong Lan, an executive Director, and the father of Ms. Kong Ka Wan, a member of senior management.

**Ms. Choi Fong Lan (徐鳳蘭女士)**, aged 51, co-founded the Group in June 2006 and was appointed as a Director on 22 June 2017 and was re-designated as an executive Director on 20 July 2017. Ms. Choi is primarily responsible for overall management, administrative matter and daily operation of the Group. She also serves as the director of each subsidiary of the Company. Prior to joining the Group, Ms. Choi worked in 祐聯製衣廠有限公司 (Union Garment Factory Limited\*) as a worker from September 1980 to January 1994.

Ms. Choi is the wife of Mr. Kong Kin I, the Chairman, executive Director and chief executive officer, and the mother of Ms. Kong Ka Wan, a member of senior management.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Cheung Wai Lun Jacky (張偉倫先生)**, aged 44, joined the Group and was appointed as an independent non-executive Director on 24 November 2017. Mr. Cheung is primarily responsible for overseeing the Group with an independent perspective and judgment. Prior to joining the Group, Mr. Cheung has been a consultant of Loeb & Loeb LLP (formerly known as Pang & Co. in association with Loeb & Loeb LLP), a law firm in Hong Kong, since April 2015. Mr. Cheung served as a solicitor in D.S. Cheung & Co., a law firm in Hong Kong, in May 2013 and was further promoted to a partner in July 2014. Mr. Cheung had been a senior associate in Mayer Brown JSM for the periods from November 2008 to September 2012, and from September 2001 to December 2007.

Mr. Cheung has been appointed as an independent non-executive director of CHerish Holdings Limited (東盈控股有限公司) (Hong Kong stock code: 2113) since September 2016, an independent non-executive director of Geotech Holdings Limited (致浩達控股有限公司) (Hong Kong stock code: 1707) since September 2017, and an independent non-executive director of AV Promotions Holdings Limited (AV策劃推廣(控股)有限公司) (Hong Kong stock code: 8419) since December 2017.

Mr. Cheung is a practising solicitor in Hong Kong and was admitted as a solicitor of the High Court of Hong Kong in November 1998. He obtained a Postgraduate Certificate in Laws and a degree of Bachelor of Laws from The University of Hong Kong in June 1996 and November 1995 respectively.

\* For identification purpose only

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

### INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

**Mr. Cheung Kin Wing (張建榮先生)**, aged 63, joined the Group and was appointed as an independent non-executive Director on 24 November 2017. Mr. Cheung is primarily responsible for overseeing the Group with an independent perspective and judgement. Prior to joining the Group, Mr. Cheung has been a director and lead consultant of Sunplex Consultants Limited, a company providing management consulting service and human resources related IT solution service, since February 1999. He was a consultant of the Hong Kong Institute of Certified Public Accountants between April 2008 and August 2008, and a director of the finance and operations department of the Hong Kong Institute of Certified Public Accountants between July 2004 and April 2008. Mr. Cheung had been registered as a practising partner of Coopers & Lybrand (a registered CPA firm that has changed its name to PricewaterhouseCoopers since October 1998) from March 1993 to June 1999.

Mr. Cheung has been an independent non-executive director of Trio Industrial Electronics Group Limited (致豐工業電子集團有限公司) (Hong Kong stock code: 1710) since February 2017, an independent non-executive director of ENM Holdings Limited (安寧控股有限公司) (Hong Kong stock code: 0128) since June 2016, and an independent non-executive director of BaWang International (Group) Holding Limited (霸王國際(集團)控股有限公司) (Hong Kong stock code: 1338) since November 2014. Mr. Cheung was also an independent director of AXA China Region Trustees Limited from August 1999 until August 2015, and an independent non-executive director of Bank of Communications Trustee Limited (交通銀行信託有限公司) since November 2003 until January 2018.

Mr. Cheung has been a fellow of The Institute of Chartered Accountants in England and Wales since February 2015 and a member of the Hong Kong Institute of Certified Public Accountants since May 1986. He obtained a Bachelor of Commerce from The University of Calgary in Canada in June 1979.

**Mr. Zhao Zhipeng (趙志鵬先生)**, aged 34, joined the Group and was appointed as an independent non-executive Director on 24 November 2017. Mr. Zhao is primarily responsible for overseeing the Group with an independent perspective and judgment. Prior to joining the Group, Mr. Zhao served as a trainee in Patrick Mak & Tse Solicitors, a law firm in Hong Kong, in July 2011, and was further promoted to an assistant solicitor in December 2013 and a partner in March 2016. Mr. Zhao has been a consultant in Lily Fenn & Partners since June 2016.

Mr. Zhao is a practising solicitor in Hong Kong and was admitted as a solicitor of the High Court of Hong Kong in December 2013. Mr. Zhao obtained Postgraduate Certificate in Laws and a degree of Juris Doctor from City University of Hong Kong in July 2011 and October 2009 respectively. He also obtained a degree of Master of Laws from The Chinese University of Hong Kong in December 2007 and a degree of Bachelor of laws from The East China University of Political Science and Law in China in July 2006.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

**Mr. Fan Cheuk Lun (樊卓倫先生)**, aged 39, joined the Group in February 2017 and was appointed as the financial controller of the Group and the company secretary of the Company on 22 February 2017 and 20 July 2017 respectively. Mr. Fan is primarily responsible for accounting, financial management and company secretarial matters of the Group. Prior to joining the Group, Mr. Fan had served as a finance manager in Risun Coal Chemicals Group Limited (旭陽煤化工集團有限公司), a coking and coal chemicals company, from June 2010 to February 2017. He worked as a consultant of Wise Top Management Limited (智升管理有限公司) from September 2002 to May 2010, primarily responsible for various China assignments.

Mr. Fan has been admitted as an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators since November 2015. He has been registered as a chartered global management accountant of American Institute of Certified Public Accountants since July 2012 and admitted as a member of American Institute of Certified Public Accountants since December 2010. He has been registered as a certified public accountant of Washington State Board of Accountancy since November 2010. Mr. Fan obtained a degree of Master of Corporate Governance from The Hong Kong Polytechnic University in September 2015 and a degree of Bachelor of Commerce from The University of British Columbia in Canada in May 2002. Mr. Fan was awarded a diploma of Arts and Science in Commerce from Langara College in Canada in May 2000.

**Ms. Kong Ka Wan (龔嘉韻女士)**, aged 24, joined the Group in October 2015 as the administrative officer of Kin Pang and was promoted to the human resources and administrative manager of Kin Pang on 13 June 2016. Ms. Kong is primarily responsible for overall administrative and human resource management of the Group.

Ms. Kong graduated from The University of Warwick in the United Kingdom with a degree of Master of Science in Human Resource Management and Employment Relations in November 2015. She obtained a degree of Bachelor of Science in the Social Sciences in Economics and Management Sciences from University of Southampton in the United Kingdom in June 2014.

Ms. Kong is the daughter of Mr. Kong Kin I, the Chairman, executive Director and chief executive officer, and Ms. Choi Fong Lan, an executive Director.

**Mr. Ng Kin Fai (吳建輝先生)**, aged 49, joined the Group in May 2013 as the project manager of Kin Pang and was promoted to the senior project manager of Kin Pang on 11 May 2015. Mr. Ng is primarily responsible for the overall management of the Group's construction projects in Macau. Prior to joining the Group, Mr. Ng worked as an engineer of East Pacific (Holdings) Limited (東海聯合集團有限公司), a real estate company, from July 2011 to April 2013, mainly responsible for the management of construction projects in Shenzhen. From July 1996 to July 2011, he worked at Hip Hing Construction Co., Ltd. (協興建築有限公司) ("Hip Hing"), a construction company in Hong Kong. He joined Hip Hing as an assistant project co-ordinator in July 1996, and was further promoted to a project co-ordinator in January 2001 and a senior project co-ordinator in October 2007.

Mr. Ng graduated from City College of San Francisco in United States with a degree of Associate in Science and fulfilled the specified requirements in construction management in May 1996.

### COMPANY SECRETARY

**Mr. Fan Cheuk Lun (樊卓倫先生)**, aged 39, was appointed as company secretary of the Group on 20 July 2017. Please refer to the sub-section headed "Senior Management" in this section for details of his biography.



# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICE

The Company is committed in achieving a high standard of corporate governance standard. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders of the Company (the “Shareholders”), enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange. The CG Code has been applicable to the Company with effective from date of listing of the Shares on the Stock Exchange (the “Listing Date”). The Board is of the view that since the Listing Date up to the date of this report (the “Relevant Period”), the Company has complied with all applicable code provisions set out in the CG Code except the deviation from provision A.2.1 of the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. Kong Kin I currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. Besides, with three independent non-executive Directors out of a total of five Directors in the Board, there will be sufficient independent voice within the Board to protect the interests of the Company and its shareholders as a whole. Therefore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Company by the Directors. Upon specific enquiries of all Directors, each of them confirmed that they have complied with the required standards set out in the Model Code throughout the Relevant Period.

## BOARD OF DIRECTORS

### Board Composition

The board consists of five Directors including Mr. Kong Kin I (Chairman and Chief Executive Officer) and Ms. Choi Fong Lan as the executive Directors and Mr. Cheung Wai Lun Jacky, Mr. Cheung Kin Wing and Mr. Zhao Zhipeng as the independent non-executive Directors. Their name and biographical details are set in the section headed “Biographies of Directors and Senior Management” in this annual report.

Save that Mr. Kong Kin I and Ms. Choi Fong Lan are spouses, there are no financial, business, family or other material relationship among members of the Board.

## CORPORATE GOVERNANCE REPORT

### **BOARD OF DIRECTORS** *(Continued)*

#### **Attendance Records of Directors and Committee Members**

Regular Board meeting should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Since the Listing Date and up to 31 December 2017, no board meeting nor general meeting was held.

#### **Independent Non-Executive Directors**

During the Relevant Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

#### **Appointment and Re-election of Directors**

Each of the executive Directors and independent non-executive Directors has entered into a service contract or a letter of appointment with the Company for a specific term, subject to renewal after the expiry of the then current term.

The articles of association of the Company (the "Articles of Association") provides that all Directors appointed by the Board to fill a casual vacancy shall be subject to re-election by Shareholders at the first general meeting after appointment.

Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

#### **Responsibilities of the Directors**

The Board takes the responsibility collectively to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

The Board delegates the management, consisting of executive Directors along with other senior executives, with the responsibilities for implementing the strategy and direction adopted by the Board from time to time, and conducting the day-to-day operations of the Group.

## CORPORATE GOVERNANCE REPORT

### CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills.

During the year ended 31 December 2017, the following Directors have been provided with relevant reading material including legal and regulatory update for their reference and studying:

#### Directors

##### Executive Directors

Mr. Kong Kin I

Ms. Choi Fong Lan

##### Independent Non-Executive Directors

Mr. Cheung Wai Lun Jacky

Mr. Cheung Kin Wing

Mr. Zhao Zhipeng

### BOARD COMMITTEE

The Board has established three committees and has delegated various responsibilities to the committees including the Audit Committee, the Remuneration Committee, and the Nomination Committee on 24 November 2017. All the Board committees perform their distinct roles in accordance with their respective terms of reference which are available to Shareholders on the websites of both the Company and the Stock Exchange and upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" on page 2 of this annual report.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEE *(Continued)*

### Audit Committee

The Company established an audit committee on 24 November 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the audit committee are to, among other things, make recommendations to the Board on the appointment and removal of external auditor, review the financial statements and provide advice in respect of financial reporting, and oversee internal control procedures of the Company. The audit committee consists of three independent non-executive Directors who are Mr. Cheung Kin Wing, Mr. Cheung Wai Lun Jacky and Mr. Zhao Zhipeng. Mr. Cheung Kin Wing is the chairman of the audit committee.

The audit committee schedules to hold at least two meetings a year. Since the Company was listed on the Stock Exchange on 15 December 2017, no meeting was held in the financial year ended 31 December 2017.

The audit committee held a meeting on 28 March 2018 to review, in respect of the year ended 31 December 2017, the annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of works and continuing connected transactions.

### Remuneration Committee

The Company established a remuneration committee on 24 November 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the remuneration committee are to, among other things, make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration, and ensure none of the Directors determine their own remuneration. The remuneration committee consists of three members who are Mr. Cheung Kin Wing, Mr. Cheung Wai Lun Jacky and Mr. Kong Kin I. Mr. Cheung Kin Wing is the chairman of the remuneration committee.

The remuneration committee schedules to hold at least one meeting a year. Since the Company was listed on the Stock Exchange on 15 December 2017, no meeting was held in the financial year ended 31 December 2017. The remuneration committee held a meeting on 28 March 2018 and reviewed the remuneration package of the Directors and senior management of the Company.

Pursuant to code provision B.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2017 is as follows:

	<b>Number of employee(s)</b>
Not exceeding MOP1,000,000	2
MOP1,000,001 to MOP2,000,000	1

## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEE *(Continued)*

#### Nomination Committee

The Company established a nomination committee on 24 November 2017 with written terms of reference in compliance with the CG Code. The primary duties of the nomination committee are to, among other things, review the structure, size and composition of the Board, assess the independence of independent non-executive Directors, and make recommendations to the Board on relevant matters relating to the appointment of Directors. The nomination committee consists of three members who are Mr. Kong Kin I, Mr. Cheung Wai Lun Jacky and Mr. Zhao Zhipeng. Mr. Kong Kin I is the chairman of the nomination committee.

The Board has adopted a “Board Diversity Policy” (the “Policy”) which sets out the approach to achieve diversity on the Board and the nomination committee is responsible for monitoring the implementation of the Policy through the consideration of a number of factors, including but not limited to the talent, skill, regional, and industry experience, background, gender and other qualities. The Board will consider putting in place measurable objectives to implement the Policy and review such objective annually to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

Since the Company was listed on the Stock Exchange on 15 December 2017, no meeting was held in the financial year ended 31 December 2017. The nomination committee held a meeting on 28 March 2018 to review the independence of the independent non-executive Directors, to consider the qualifications of the retiring Directors standing for election at the 2018 annual general meeting of the Company, to review the structure, size, and composition of the Board and to review the Policy.

#### Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board had reviewed the Company’s corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company’s policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company’s compliance with the CG Code and disclosure in this corporate governance report.

### DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2017 in accordance with statutory requirements and applicable accounting standards. The Directors are not aware of any material uncertainty that may cast significant doubt upon the Group’s ability to continue as a going concern.

The statements of the independent auditor of the Company about their reporting responsibilities on the financial statements of the Group are set out in the “Independent Auditor’s Report” in this annual report.

### EXTERNAL AUDITOR’S REMUNERATION

For the year ended 31 December 2017, the remunerations paid or payable to Deloitte Touche Tohmatsu in respect of its audit services and non-audit services are HK\$1,200,000 and HK\$4,020,000, respectively. The non-audit services represent the services fee paid to Deloitte Touche Tohmatsu for the appointment as reporting accountants in connection with the listing of the Shares on the Stock Exchange; for the professional services in connection with tax advisory; and for the professional services rendered in connection with the internal control environment assessment.

## CORPORATE GOVERNANCE REPORT

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to maintain effective risk management and internal control systems in order to safeguard the Group's assets and investments and the Shareholders' interest and conducts a review on an annual basis. The Board acknowledges that such 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 but not absolute assurance against material misstatement or loss. During the year under review, the Board had conducted review of the effectiveness of the risk management and internal control systems of the Company in aspects of the Group's financial, operational, compliance controls and risk management functions through the effort of the audit committee.

The Board confirms that it has conducted a review of the risk management and internal control system of the Group during the year ended 31 December 2017. The Group currently has no internal audit function and such review was performed by an external independent consultant engaged by the Group. The Board considers that it is more cost effective to engage an external independent consultant instead of recruiting a team of an internal audit staff to perform such annual review function.

The Board has the overall responsibility to maintain in the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Board had reached the conclusion that the Group's risk managements and internal control systems were in place and effective.

### COMPANY SECRETARY

The Company has appointed Mr. Fan Cheuk Lun, who is an employee of the Company as its company secretary. Mr. Fan has confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training. The biography of Mr. Fan is set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

### SHAREHOLDERS' RIGHTS

Pursuant to Article 58 of the Articles of Association, an extraordinary general meeting shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 calendar months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions in the Articles of Association or the Cayman Islands Company Law for Shareholders to move new resolution at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a director of the Company, please refer to the "Procedure for Shareholders to Propose a Person for Election as a Director" of the Company which is posted on the Company's website.

### Enquiries to the Board

Shareholders may send their enquiries or requests to the Board through the Company's principal place of business in Hong Kong at Office No. 5, 20/F, Nam Wo Hong Building, 148 Wing Lok Street, Hong Kong (email: info@kinpang.co).

### CONSTITUTIONAL DOCUMENTS

There was no change to the Company's constitutional documents from the Listing Date to 31 December 2017. The Articles of Association is available on the websites of the Company and the Stock Exchange.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

## INTRODUCTION

Kin Pang Holdings Limited (the “Company” or “Kin Pang”) and its subsidiaries (collectively, the “Group”) are an integrated construction contractor engaged in providing (i) building and ancillary services; and (ii) emergency repair services, solely in Macau. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 December 2017. The Group persistently strives to operate its business in an economic, social and environmentally sustainable manner. The Group committed to make continuous improvements in corporate social responsibility in order to better meet the changing needs of an advancing society.

This year, the Group is pleased to present its first Environmental, Social and Governance Report (the “ESG Report”), which aims to demonstrate its efforts on sustainability developments to both internal and external stakeholders. The ESG Report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide (the “Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange. The ESG Report primarily highlights the Group’s major initiatives and activities implemented from 1 January 2017 to 31 December 2017.

## Stakeholder Engagement

The Group has set up policies on stakeholder engagement to understand the needs of stakeholders and to ensure its activities take into consideration of the stakeholders’ interests. Continuous communication with stakeholders allows the Group to identify matters in relation to the environmental, social and governance issues, and it serves as a method to understand stakeholders’ expectation and assess the materiality on various aspects as set out in the Guide that are relevant to the Group. Below sets forth the channels used for communication with respective stakeholder group.

Stakeholder Group	Communication Channel
Customers	<ul style="list-style-type: none"> <li>• Official website of the Group</li> <li>• Customer assessment</li> <li>• Project progress meeting</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Annual appraisal</li> <li>• Intranet</li> <li>• Training</li> <li>• Meetings</li> </ul>
Suppliers/Sub-contractors	<ul style="list-style-type: none"> <li>• Project progress meeting</li> <li>• Supplier assessment</li> <li>• Site visiting</li> </ul>
Investors/Shareholders	<ul style="list-style-type: none"> <li>• Annual general meeting</li> <li>• Annual and interim reports</li> <li>• Circular/announcement</li> <li>• Corporate website</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Industrial dinner</li> <li>• CSR activity</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

### ENVIRONMENTAL PROTECTION

Environmental protection is one of the core values at Kin Pang. The Group has proactively looked for and implemented new measures at various stages of construction in order to minimise its impact to the environment.

Over the years, the Group has introduced energy-efficient equipment and streamlined operation processes to reduce fuel, electricity and water consumption, and enhanced the efficiency of resources utilization. The Group has adopted Guideline for Site Pollution Control (“地盤污染控制指引”) and Guideline for Waste Classification (“建築工地廢料分類指引”), issued by Environmental Protection Bureau (“環境保護局”), as the primary instruction. Furthermore, the Group has participated in voluntary accredited program since 2015, and our environmental management system is certified to the ISO 14001 standards.

#### Emission

Air emissions generated by the Group were mainly produced by the consumption of Liquefied Petroleum Gas (“LPG”) used during the construction works, and diesel fuel consumed by the self-owned vehicles. The Group is unable to retrieve the usage records of the self-owned vehicles, as a result air emission data for Nitrogen Oxides (“NO<sub>x</sub>”) and Particulate Matter (“PM”) are not available in the ESG Report. In this regard, the Group has adopted a register for such usage records which enable us to generate and disclose the air emission data in the ESG Report for next reporting year. Save as the above unavailable data, below sets out the air emission data for the key air pollutants resulted from the projects carried out throughout the reporting year.

Air Emission Data		Unit	2017
Gaseous Fuel Consumption Emissions			
NO <sub>x</sub> Emissions		kg	2,496.42
SO <sub>x</sub> Emissions		kg	12.42
Vehicles Emissions			
NO <sub>x</sub> Emissions	Note	g	–
SO <sub>x</sub> Emissions		g	482.19
PM Emissions	Note	g	–

*Note:*

Emission data for NO<sub>x</sub> and PM is not available as the Group has not yet started to collect data for kilometers travelled by vehicles this year.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

### ENVIRONMENTAL PROTECTION *(Continued)*

#### Emission *(Continued)*

Greenhouse Gas (“GHG”) is another major source of emission of the Group, which is mainly released through the consumption of fuels by the Group’s equipment and self-owned vehicles. The GHGs emission data are set out below:

GHG Emissions Data	Unit	2017
Scope 1 – Direct Emissions	tonnes	726.77
Stationary combustion sources (i.e. Equipment)	tonnes	647.72
Mobile combustion sources (i.e. Self-owned vehicle)	tonnes	79.05
Hydrofluorocarbons (“HFC”) and perfluorocarbons (“PFC”) emissions for refrigeration/air-conditioning	tonnes	–
GHG removals from newly planted trees	tonnes	–
Scope 2 – Energy Indirect Emissions	tonnes	36.62
Electricity consumed	<i>Note</i> <sup>1</sup>	36.62
Scope 3 – Other Indirect Emissions	tonnes	4.39
Paper waste disposed at landfills	tonnes	4.20
Electricity used for processing fresh water and sewage by government department	<i>Note</i> <sup>2</sup>	0.19
Business air travel by employees	tonnes	–

*Note:*

<sup>1</sup> For electricity supplied by Companhia de Electricidade de Macau (“CEM”), the Emission Factor (0.905 kg/kWh) is available in CEM’s Sustainability Report 2016.

<sup>2</sup> For water supplied by Macao Water, the electricity consumption of water (0.298 m<sup>3</sup>/kWh) is available in Macao Water’s Annual Report 2016.

As the Group’s emissions were substantially caused by the usage of equipment and self-owned vehicles, our mitigation strategy is significantly dependent on these sources. The measures begin at the procurement process by selecting equipment with low emission, and using of low sulphur fuel. In addition, regular inspection checks of the Group’s equipment are conducted at the commencement of each construction project to ensure that they are in good condition without excessive emission. Furthermore, the Group has measures to avoid dust pollution by complying with the hoarding requirement, minimizing the dropping height of soil and dusty material, and spraying water on vehicles and the surface of dusty material.

During the reporting year, the Group did not encounter any non-compliance issue about emission that would have a significant impact on the environment.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

### ENVIRONMENTAL PROTECTION *(Continued)*

#### Waste

A number of procedures have been established and embedded in the Group's daily operations for different waste materials, which can be categorized into various groups namely concrete, mud, rebar, asphalt, wood and others. To the best of the Group's knowledge, there are no material amount of hazardous waste were generated.

The table below shows the quantity of waste produced by the Group which was estimated based on the number of carriage of wastes being transported to landfill (assuming each carriage to landfill weights 10 tonnes).

Waste	Unit	2017
Non-Hazardous Waste	tonnes	53,302.20
Industrial wastes	tonnes	53,302.20
Non-Hazardous Waste Intensity	tonnes/project	740.31

Similar to the measures of emission, the Group starts from the procurement process and encourages a waste management hierarchy that prioritizes avoidance and reduction of construction materials. Project teams plan work programmes carefully in achieving Just-in-Time inventory management to avoid over-ordering of materials. In addition, the Group encourages wastes to be re-used where possible, and shared among its construction sites. To achieve this, waste management plans are carried out to facilitate on-site sorting, which re-usable and recyclable materials, and others waste for disposal are separately stored so as to ensure that they are properly utilized or delivered to appropriate reception sites or public disposal facilities.

#### Use of Resources

Environment protection is the responsibility of every staff of the Group. The Group's office in Macau has implemented several resources saving initiatives. For instance, encouraging staff to reduce paper usage by double-sided copying and frequent use of electronic information systems for communication and documentation. Besides, our staff is required to switch off office light and computers during lunch time, and maintain the office air-conditioning at an average temperature of 25 degrees Celsius to save electricity. The energy and water consumption of the Group in 2017 are set out below:

Energy consumption	Unit	2017
Electricity	kWh	40,464.00
Office	kWh	10,344.00
Staff-quarter	kWh	30,120.00
Electricity Intensity	kWh/unit	6,744.00

As the Group is unable to retrieve fuel consumption data used by electricity generators, energy consumed from projects carried out during the reporting year are not available. The total energy consumption above only includes electricity consumed by office premises and staff quarters.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

### ENVIRONMENTAL PROTECTION *(Continued)*

#### Use of Resources *(Continued)*

Water Consumption	Unit	2017
Total Water Consumption	m <sup>3</sup>	930.00
Staff-quarter	m <sup>3</sup>	930.00
Water Consumption Intensity	m <sup>3</sup> /unit	232.50

The Group is unable to quantify the amount of water consumption used in the construction site and office premises which were provided by employers and landlords and shared among different contractors and tenants. The total water consumption above only included water consumed by staff quarters.

#### The Environment and Natural Resources

The Group is committed to a sustainable construction through minimising any adverse impact on the environment resulting from our business activities. Below is the principles that the Group strives to achieve:

- Focusing on energy management throughout energy planning including design, review, monitoring performance as critical considerations within our core management process;
- Compliance with the environmental aspects of the applicable legal requirements and the other requirements to which the Group subscribes;
- Regular performance reviews to ensure that energy objectives and the requirements of interested parties are met; and
- Provision of staff training to ensure understanding, implementation and development of those principles throughout our business.

## SOCIAL

### Our Employment

The Group regards employees as the most valuable and crucial assets. The beliefs in “competition makes progress” and “rewards and penalties” are the foundation to our Human Resources (“HR”) System. The Group has established clear policies and guidelines to attract and retain talent, and delivers a fair and safe working environment for employees to support their career advancement and also fosters their personal development.

HR management of the Group has stepped up efforts to ensure that the system and manual are in compliance with relevant labour laws, including but not limited to Labour Relations Law, Employees’ Compensation Insurance Ordinance, Social Security System, laws and regulations for the employment of non-resident worker, regulation on prohibition of illegal work and lists of restricted and prohibited works provided by minors. Besides, employment checklist is established to govern the procedures and documents that need to be conducted and obtained during the hiring and termination process.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

## SOCIAL *(Continued)*

### Our Employment *(Continued)*

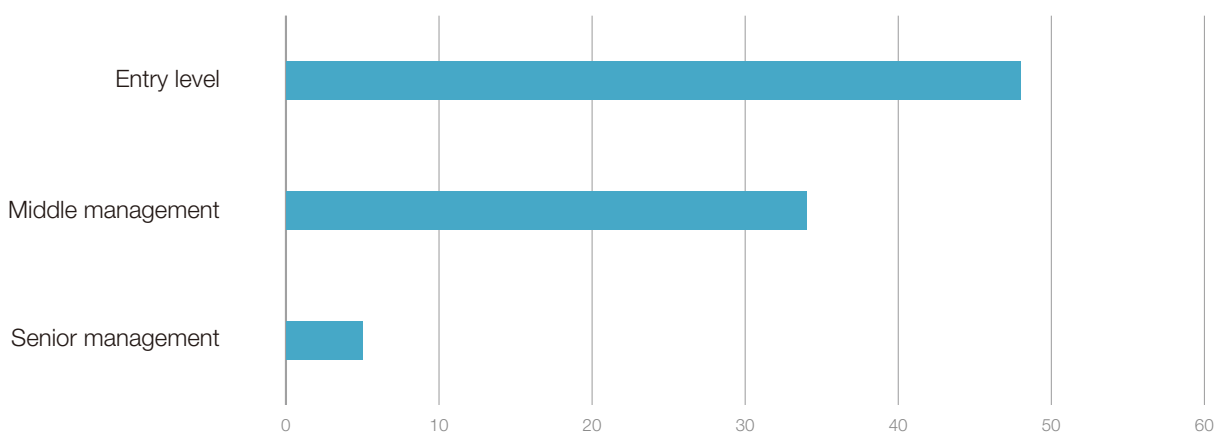
In addition, policy on HR, including organizational structure, working hour, leave entitlement and reward and compensation system, are communicated to employees through the circulation of Employee Handbook upon hiring and during the employment period.

To facilitate equal opportunity and anti-discrimination, standard interview criteria (each for recruitment and annual appraisal) are established in order to ensure that every staff are evaluated under the same evaluation scheme. Promotion opportunities and salary adjustments are benchmarked against individual performance. Voluntary exit interview is encouraged on resignation which serves as a feedback channel allowing us to detect any vulnerability in our HR System.

Most of the Group's employment positions require specialized knowledge and skillsets. The Group promotes on-the-job training, in particular relates to occupational health and safety, at the inception and during the construction project. Staff are also encouraged to attend courses organised by external parties to enhance their competence.

As at 31 December 2017, the Group has employed 87 staff. Due to shortage of construction workers in Macau, the Group recruited talents from Hong Kong and China which accounted for approximately 60% of the total employment population. With regards to our business nature, majority of our employees are male and our female to male ratio was approximately 1:8. Below sets out an overview of our employees in different aspects.

### WORKFORCE BY EMPLOYMENT CATEGORY



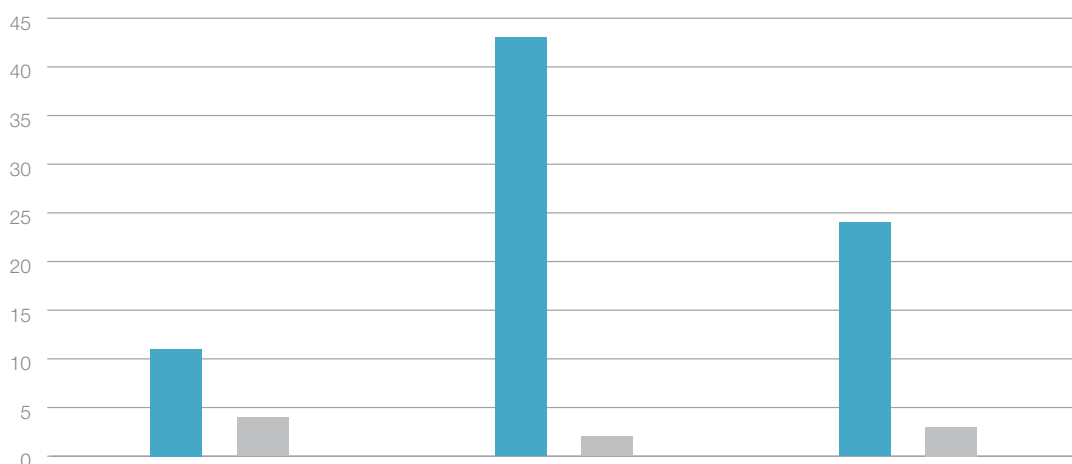
	Senior management	Middle management	Entry level
Workforce by Employment Category	5	34	48

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

### SOCIAL *(Continued)*

#### Our Employment *(Continued)*

##### WORKFORCE BY GENDER AND AGE GROUP



	30 or below	31-50	51 or above
■ Male	11	43	24
■ Female	4	2	3

### Health and Safety

The Group regards health and safety as one of the top-ranking issues and has stipulated effective health and safety measures to minimize accidents in the workplace. The Group has been accredited with OHSAS 18001:2007 for our occupational health and safety management system. To this end, the Group has implemented various measures, including those as stated in the Emission section of the ESG Report, to protect its employees from injury and occupational hazards. The Group has established occupational health and safety manuals which provide guidance on the essential procedures before entering into construction site and during the course of construction. The Group has also employed safety officers to inspect irregularities regularly, and on-site agents to monitor safety of workers in real time. In case accident occurred, the emergency flow chart provides the procedures and included a list of emergency contact for the report of emergency.

As at 31 December 2017, the Group has reported 4 incidents of work injuries, which lead to 147 lost days. The Group is pleased that no work-related fatalities have been occurred.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

### **SOCIAL** *(Continued)*

#### **Supply Chain Management**

Supplier selection is an essential process for supply chain management. The Group strives to join hands with various interested parties along its supply chain on improving sustainability performance throughout its operations.

To this end, the Group has established a supplier management policy which stipulates vigorous guidelines to monitor the tendering and quotation process, covering areas such as sourcing, internal control and risk management. In addition, the Group places significant measures in choosing a qualifying supplier and sub-contractor by conducting business reviews with its suppliers and subcontractors. The Group evaluates suppliers and sub-contractors taking into account their recent service quality, skills and technique, prevailing market price, competitiveness of pricing, ability to meet its specifications and requirements, and reputation. Additionally, an annual performance review was conducted to ensure the suppliers or subcontractors can continue to satisfy the established requirements by the Group.

#### **Product Responsibility**

The Group believes that the reliability and quality of the construction works are crucial to our reputation. As such, the Group has implemented quality control procedures with documentation covering the entire stage of its construction process, from the procurement of raw materials to the completion of construction works, which allows us to review and ensure the consistence of a quality progress.

The Group has adopted and implemented a quality control system that complies with international standards, ISO 9001:2015. Our project management team is responsible for overseeing the implementation of quality management system. Any construction material delivered to site are tested before it is employed. Also, inspection checks and progress meetings are held regularly to ensure overall progress are running as intended.

During the reporting year, no significant complaint of construction defect was reported.

#### **Anti-corruption**

The Group upholds high standards in its market practices, with all employees required to maintain a high level of business ethics. The Group's Code of Conduct as explained in its Employee Handbook and conflict of interest policy required employees to declare gifts received from clients, and to comply with applicable requirements relating to the privacy and the confidentiality of information received in the course of business.

In addition, corruption, bribery or fraud in any form is strictly prohibited. Whistleblowing policy was established to allow employees to report any misconduct or malpractice events observed on a confidential platform to the Audit Committee.

During the reporting period, no instance regarding corruption had been brought to the Group's attention.

#### **Community Involvement**

The Group realizes the importance of corporate social responsibility and has stepped up conscious efforts to establish closer ties and interaction with local communities. During the reporting year, Typhoon Hato caused significant damages to the surrounding in Macau, and the Group, with making use of our specialties, voluntarily assigned workers to assist government in providing emergency repair service to public facilities. The Group will continue to participate actively in social welfare activities to better serve the community and motivate our employees to participate in community enhancement events.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

### CONTENT INDEX

#### Environmental

		Section Reference
<b>Aspect A1: Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	• Environmental Protection
KPI A1.1	The types of emissions and respective emissions data.	• Emission
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Emission
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Waste
KPI A1.4	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Waste
KPI A1.5	Description of measures to mitigate emissions and results achieved.	• Emission
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	• Waste
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Information on: Policies on the efficient use of resources, including energy, water and other raw materials.	• Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity (e.g. per unit of production volume, per facility).	• Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	• Use of Resources
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	• Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	• Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	• Packaging material is not relevant to the Group
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	• The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	• Emission • Waste • Use of Resources • The Environment and Natural Resources

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

## CONTENT INDEX *(Continued)*

### Social

		Section Reference
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	• Our Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	• Our Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	• Our Employment
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	• Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	• Health and Safety
KPI B2.2	Lost days due to work injury.	• Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	• Health and Safety
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.  <i>Note:</i> Training refers to vocational training. It may include internal and external courses paid by the employer.	• Our Employment
<b>Aspect B4: Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	• Our Employment



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

### CONTENT INDEX *(Continued)*

#### Social *(Continued)*

		Section Reference
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	• Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	• Supply Chain Management
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising labelling and privacy matters relating to products and services provided and methods of redress.	• Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	• Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	• Anti-corruption
<b>Aspect B7: Anti-corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	• Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	• Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	• Anti-corruption
<b>Aspect B8: Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	• Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	• Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	• Community Investment

# DIRECTORS' REPORT

The board presents this annual report together with the audited consolidated financial statements of the group for the year ended 31 December 2017.

## CORPORATE REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 22 June 2017.

In preparation for the Listing, the Group underwent the reorganisation, details of the reorganisation are set out in note 2 to the consolidated financial statements.

The Shares were listed on the Main Board of the Stock Exchange with effective from 15 December 2017.

## PRINCIPAL ACTIVITIES

The Group is an integrated construction contractor which provides building and ancillary services and emergency repair services.

The Company acts as an investing holding company. The principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47 of this annual report.

## DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2017.

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past four financial years is set out on page 96 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2017 are set out in note 14 to the consolidated financial statements.

## BANK BORROWINGS

Details of movements in the bank borrowings of the Group during the year ended 31 December 2017 are set out in note 22 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Group during the year ended 31 December 2017 are set out in note 23 to the consolidated financial statements.

## DIRECTORS' REPORT

### DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company did not have reserves available for distribution to Shareholders in accordance with the Articles of Association.

Details of movements in the reserves of the Group during the year ended 31 December 2017 are set out in the consolidated financial statement of changes in equity on page 49 of this annual report.

### DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this annual report, are:

#### Executive Directors

Mr. Kong Kin I (*Chairman and Chief Executive Officer*) (*appointed on 22 June 2017*)

Ms. Choi Fong Lan (*appointed on 22 June 2017*)

#### Independent Non-Executive Directors

Mr. Cheung Wai Lun Jacky (*appointed on 24 November 2017*)

Mr. Cheung Kin Wing (*appointed on 24 November 2017*)

Mr. Zhao Zhipeng (*appointed on 24 November 2017*)

Pursuant to Article 84 of the Articles, one-third of the Directors for the time being, or if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation at every annual general meeting of the Company. A retiring Director shall be eligible for re-election. Mr. Kong Kin I and Ms. Choi Fong Lan shall retire from office by rotation at the forthcoming annual general meeting.

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company and each of independent non-executive Directors has signed an appointment letter with the Company. The appointment of each of the Directors is for a period of three years and shall continue thereafter until being terminated by either party giving not less than three month's written notice.

None of the Directors who are proposed for election or re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in note 7 to the consolidated financial statement.

## DIRECTORS' REPORT

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations, within the meaning of the Securities and Futures Ordinance (the "SFO"), which had 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 in which they are taken or deemed to have taken under such provisions), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, were as follows:

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

Name of Directors	Capacity/Nature of interests	Number of Shares	Percentage of shareholding interest
Mr. Kong Kin I	Interest in a controlled corporation (Note 1); Interest of spouse (Note 2)	670,000,000	67.00%
Ms. Choi Fong Lan	Interest in a controlled corporation (Note 1); Interest of spouse (Note 2)	670,000,000	67.00%

*Notes:*

1. Fortunate Year Investments Limited ("Fortunate Year") is owned as to 60% by Mr. Kong Kin I and 40% by Ms. Choi Fong Lan. Under the SFO, Mr. Kong Kin I and Ms. Choi Fong Lan are deemed to be interested in all the Shares registered in the name of Fortunate Year.
2. Ms. Choi Fong Lan is the spouse of Mr. Kong Kin I. Under the SFO, Ms. Choi Fong Lan is deemed to be interested in the same number of Shares in which Mr. Kong Kin I is interested, and vice versa.

## DIRECTORS' REPORT

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

#### (ii) Long positions in the ordinary shares of associated corporation:

Name of Directors	Name of associated corporation	Capacity/Nature of interests	Number of Shares	Percentage of shareholding in the associated corporation
Mr. Kong Kin I	Fortunate Year	Beneficial owner; interest of spouse <i>(Note)</i>	200	100%
Ms. Choi Fong Lan	Fortunate Year	Beneficial owner; interest of spouse <i>(Note)</i>	200	100%

*Note:* Fortunate Year is owned as to 60% by Mr. Kong Kin I and 40% by Ms. Choi Fong Lan. Under the SFO, Mr. Kong Kin I and Ms. Choi Fong Lan are deemed to be interested in all the Shares registered in the name of Fortunate Year. Ms. Choi Fong Lan is the spouse of Mr. Kong Kin I. Under the SFO, Ms. Choi Fong Lan is deemed to be interested in the same number of Shares in which Mr. Kong Kin I is interested, and vice versa.

Saved as disclosed above, as at the date of this report, there were no other interests or short positions of the Directors or chief executive of the Company in the Shares or underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) or pursuant to section 352 of the SFO, required to be recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The shares of the Company were listed on the Main Board of the Stock Exchange on 15 December 2017. The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31 December 2017, the following persons (other than the Directors or chief executive of the Company) had notified the Company of its interests or short positions in the Shares or underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 or Part XV of the SFO:

#### Long positions in Shares:

Name of Substantial Shareholder	Nature of interests	Number of Shares	Percentage of shareholding interest
Fortunate Year	Beneficial interest	670,000,000	67.00%
Quasar Global Selection SPC Fund – Shenzhen Qianhai Glory Fund <i>(Note)</i>	Beneficial interest	80,000,000	8.00%

*Note:* Quasar Global Selection SPC Fund – Shenzhen Qianhai Glory Fund (駿昇環球精選獨立組合公司基金 – 深圳前海國銀投資基金獨立組合) is a segregated portfolio company incorporated in the Cayman Islands on 3 January 2017.

## DIRECTORS' REPORT

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2017 was the Company or any of its holding company or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

### SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "Share Option Scheme) pursuant to the written resolutions passed on 24 November 2017. The Share Option Scheme enables the Company to grant Options to the Eligible Persons as incentives or rewards for their contributions to the Group.

The Board may, at its discretion, invite any Eligible Persons to take up Options. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted. "Eligible Person" means any full-time or part-time employee of the Company or any member of the Group, including any executive directors, non-executive directors and independent non-executive directors, and any suppliers, customers, agents, advisors and consultants of the Group who, in the sole opinion of our Board, will contribute or have contributed to the Group.

The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 100,000,000 Shares, being 10% of the Shares in issue as at the Listing Date. No share options had been granted by the Company under the Share Option Scheme up to the date of this report. Therefore, the number of Shares available for issue is 100,000,000 Shares, being approximately 10% of the Shares in issue as at the date of this report.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time. Any further grant of Options in excess 1% limit shall be subject to Shareholders' approval in general meeting with such participant and his associates abstaining from voting.

The subscription price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

Unless there is any early termination of the Share Option Scheme pursuant to the rules of the Share Option Scheme, the Share Option Scheme will be valid and effective for a period of 10 years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 24 November 2017 and up to the date of this report.

## DIRECTORS' REPORT

### EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" above, there were no equity-linked agreements entered into by the Group, or existed during the year ended 31 December 2017.

### CONNECTED TRANSACTION

The Company had no connected transactions or continuing connected transactions which requires compliance with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules during the year ended 31 December 2017.

### RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year are disclosed in note 30 to the financial statements. These transactions were either exempt from reporting, announcement and independent shareholders' approval requirements of under Chapter 14A of the Listing Rules, or did not fall under the definition of connected transactions or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

### DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as those disclosed in the paragraph headed "Connected Transactions" and in note 30 to the consolidated financial information, no other transactions, arrangements or contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him/her had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2017 or at any time during the year.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2017, none of the Directors of the Company are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

### COMPLIANCE WITH THE DEED OF NON-COMPETITION

Save for Mr. Kong Kin I's registration for Construtor Civil Kong Kin I as a sole proprietorship according to the laws of Macau, details of which were set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus, none of the Directors nor the controlling Shareholders nor their respective associates (as defined in the Listing Rules) had interest in a business that competed or might compete with the business of the Group in the Financial Year 2017.

The controlling Shareholders entered into a deed of non-competition in favour of the Company (for themselves and as trustee for the subsidiaries) on 24 November 2017 (the Deed of Non-Competition), details of which are set out in the section headed "Relationship with our Controlling Shareholders – Non-Competition Undertakings by our Controlling Shareholders" in the Prospectus. The controlling Shareholders confirmed the compliance with the undertakings given under the Deed of Non-Competition.

The independent non-executive Directors were delegated with the authority to review, on an annual basis, the compliance with the Deed of Non-Competition. The independent non-executive Directors were not aware of any non-compliance of the Deed of Non-Competition since the date of the deed and up to the date of this report.

## DIRECTORS' REPORT

### PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he/she may sustain or incur or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any such director.

The Company has taken out appropriate directors' and officers' liability insurance coverage for the Directors and officers.

### EMOLUMENT POLICY

The emolument policy of the employees of the Group was set up by the remuneration committee on the basis of their merit, qualification and competence. The emolument of the Directors is reviewed and recommended by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to eligible persons, details are set out under the heading "Share Option Scheme" in the report.

### PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Articles of Association or the applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the period from the Listing Date up to the date of this report.

### MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

During the year ended 31 December 2017, the aggregate amount of revenue attributable to the Group's five largest customers accounted for approximately 77.3% of the Group's total revenue and the revenue from the Group's largest customer was accounted for approximately 32.3% of the Group's total revenue.

In addition, the Group's purchases attributable to its five largest suppliers accounted for approximately 56.6% of the Group's total purchases. The Group's purchases attributable to the largest supplier accounted for approximately 15.7% of the Group's total purchases. The Group's sub-contracting charges attributable to its five largest subcontractors accounted for approximately 55.6%. The Group's sub-contracting charges attributable to the largest subcontractor accounted for approximately 14.4% of the total sub-contracting charges.

At no time during the year 31 December 2017 did the Directors, their close associates or Shareholders (which to the best knowledge of the Directors own more than 5% of the total number of issued Shares) had any interests in any of the five largest customers of the Group.

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

Since the Listing Date and up to date of this report neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



## DIRECTORS' REPORT

### CORPORATE GOVERNANCE

During the period from the Listing Date to date of this report, the Company has complied with all the applicable code provisions set out in the CG Code except the deviation from provision A.2.1 of the CG Code. The CG Code is not applicable to the Company before the Listing Date. Detailed information on the Company's corporate governance principle and practices are set out on pages 16 to 21 of this annual report.

### USE OF PROCEEDS FROM THE SHARE OFFER

The Company raised net proceeds of approximately HK\$72.0 million (equivalent to approximately MOP74.2 million) under its initial public offering on the Stock Exchange on 15 December 2017, which are intended to be applied in the same manner and the same proportion as disclosed in the Prospectus and the announcement of the Company in relation to the allotment result dated 14 December 2017.

Details of the use of the net proceeds are set out in the section headed "Management Discussion and Analysis" in this annual report.

### AUDITOR

The consolidated financial statements have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

**Kong Kin I**

*Chairman*

Hong Kong, 28 March 2018

# INDEPENDENT AUDITOR'S REPORT

# Deloitte.

# 德勤

## TO THE MEMBERS OF KIN PANG HOLDINGS LIMITED

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

### OPINION

We have audited the consolidated financial statements of Kin Pang Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 47 to 95, which comprise the consolidated statement of financial position as at 31 December 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 31 December 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 (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “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

#### ***Revenue and costs from building and ancillary services construction contracts and amounts due from/to customers for contract work***

We identified the recognition of revenue and costs from building and ancillary services 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 of the Group in determining the stage of completion contract revenue and budget costs of incomplete construction contracts.

During the year ended 31 December 2017, the Group generated revenue of MOP233,585,000 from building and ancillary services construction contracts as disclosed in note 6 to the consolidated financial statements. Amounts due from and amounts due to customers for contract work of MOP72,207,000 and MOP1,026,000, respectively, were recorded in the consolidated statement of financial position as at 31 December 2017.

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, budgeted construction costs are prepared by the management of the Group on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the 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.

#### How our audit addressed the key audit matter

Our procedures in relation to recognition of revenue and costs from construction contracts and amounts due from/to customers for contract work included:

- Understanding management's process in estimating the contract revenue, budget costs and determining the completion status of construction activities;
- Checking the total contracts value to construction contracts and other relevant correspondences and supporting documents in respect of variations in construction works on a sample basis;
- Evaluating the reasonableness of the budgeted cost including (i) for subcontracting costs contracted for, agreeing the budgeted costs to the underlying contracts; (ii) comparing the budgeted data with the actual data recorded, taking into account the stage of completion reached; and (iii) comparing the estimated profit margin with the actual profit margin of other similar projects;
- Evaluating the reasonableness of contract revenue recognised to date by:
  - Checking to the certificates issued by the external surveyors, customer's correspondences or other documents issued before and subsequent to year end date to evaluate the value of work already performed during the year and the subsequent progress of respective projects, on a sample basis;
  - Discussing with project managers of the Group to understand the status of respective construction contracts, on a sample basis.
- Evaluating the reasonableness of percentage of completion of construction contracts by comparing the percentage calculated based on external surveyors' certifications against that calculated based on costs incurred up to date, and investigating any significant differences identified;
- Assessing the appropriateness of the basis of deriving the amounts due from/to customers for contract work by checking, on a sample basis, to the amount of cost incurred up to date, and progress billings to the architect's certificates issued by the surveyors;

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS *(Continued)*

#### Key audit matter

##### ***Impairment assessment of trade receivables***

We identified the impairment assessment of trade receivables as a key audit matter due to the use of judgment and estimates by management in assessing the recoverability of trade receivables.

As disclosed in note 16 to the consolidated financial statements, the carrying amount of trade receivables amounted to MOP31,041,000 as at 31 December 2017. The Group has not provided any impairment loss on trade receivables as at 31 December 2017.

As disclosed in note 5 to the consolidated financial statements, in assessing the ultimate realisation of each individual trade receivables based on past collection history, ageing analysis and subsequent settlements of the trade receivables.

#### How our audit addressed the key audit matter

Our procedures in relation to the impairment assessment of trade receivables included:

- Understanding the management's process in determining credit limit, credit approval for customers and the management's process in accessing the recoverability of trade receivables;
- Testing the accuracy of the ageing analysis by checking to the original invoices issued by the Group, on a sample basis;
- Checking subsequent settlements of trade receivables to supporting documents including bank records, on a sample basis;
- Assessing the recoverability of overdue trade receivables without subsequent settlement by analysing creditworthiness and past collection history of the customers; and
- Assessing the historical accuracy of the allowance assessment to evaluate the appropriateness of the basis made by the management in the current year.

## 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 of the Company 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 of the Company 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 HKSAAs 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.

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.

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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 Chau Chi Ka.

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

28 March 2018

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017 MOP'000	2016 MOP'000
Revenue	6	<b>245,432</b>	176,039
Direct costs		<b>(206,984)</b>	(141,929)
Gross profit		<b>38,448</b>	34,110
Other income, gains and losses, net	8	<b>239</b>	183
Administrative expenses		<b>(12,575)</b>	(5,867)
Finance costs	9	<b>(151)</b>	(199)
Listing expenses		<b>(16,122)</b>	–
Profit before taxation	10	<b>9,839</b>	28,227
Income tax expense	11	<b>(3,777)</b>	(2,248)
Profit and total comprehensive income for the year		<b>6,062</b>	25,979
Earnings per share			
Basic (MOP cents)	13	<b>0.78</b>	3.61



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 MOP'000	2016 MOP'000
<b>Non-current assets</b>			
Property, plant and equipment	14	<b>12,308</b>	10,435
Deposits	17	<b>2,200</b>	494
		<b>14,508</b>	10,929
<b>Current assets</b>			
Trade receivables	16	<b>31,041</b>	37,343
Other receivables, deposits and prepayments	17	<b>42,298</b>	25,398
Amounts due from customers for contract work	18	<b>72,207</b>	59,677
Amount due from a related party	21	-	2,014
Loan to an associate	21	-	583
Pledged bank deposits	19	<b>200</b>	200
Bank balances and cash	19	<b>120,588</b>	37,442
		<b>266,334</b>	162,657
<b>Current liabilities</b>			
Trade and other payables and accruals	20	<b>68,255</b>	54,715
Amounts due to customers for contract work	18	<b>1,026</b>	9,876
Amount due to related parties	21	<b>180</b>	10,060
Tax payable		<b>10,334</b>	6,557
Bank borrowings	22	<b>1,070</b>	1,106
		<b>80,865</b>	82,314
Net current assets		<b>185,469</b>	80,343
Total assets less current liabilities		<b>199,977</b>	91,272
<b>Non-current liability</b>			
Bank borrowings	22	<b>2,482</b>	3,552
Net assets		<b>197,495</b>	87,720
<b>Capital and reserves</b>			
Share capital	23	<b>10,300</b>	250
Reserves		<b>187,195</b>	87,470
Equity attributable to owners of the Company		<b>197,495</b>	87,720

The consolidated financial statements on pages 47 to 95 were approved and authorised for issue by the Board of Directors on 28 March 2018 and are signed on its behalf by:

**Mr. Kong Kin I**  
DIRECTOR

**Ms. Choi Fong Lan**  
DIRECTOR

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital MOP'000	Share premium MOP'000	Legal reserve MOP'000 <i>(note a)</i>	Other reserve MOP'000	Accumulated profits MOP'000	Total MOP'000
At 1 January 2016	250	-	125	-	70,266	70,641
Profit and total comprehensive income for the year	-	-	-	-	25,979	25,979
Dividends paid <i>(note 12)</i>	-	-	-	-	(8,900)	(8,900)
At 31 December 2016	<b>250</b>	-	<b>125</b>	-	<b>87,345</b>	<b>87,720</b>
Profit and total comprehensive income for the year	-	-	-	-	<b>6,062</b>	<b>6,062</b>
Transfer upon reorganisation <i>(note 2(iii))</i>	<b>(250)</b>	-	-	<b>250</b>	-	-
Capital injection from Pre-IPO Investor (as defined in note 2) of Clear Achieve <i>(note 2(iii))</i>	-	-	-	<b>13,450</b>	-	<b>13,450</b>
Issue of shares upon share offer <i>(note 23(v))</i>	<b>2,060</b>	<b>96,820</b>	-	-	-	<b>98,880</b>
Capitalisation issue <i>(note 23(iv))</i>	<b>8,240</b>	<b>(8,240)</b>	-	-	-	-
Transaction costs directly attributable to issue of shares	-	<b>(7,648)</b>	-	-	-	<b>(7,648)</b>
Deemed distribution to a shareholder <i>(note b)</i>	-	-	-	<b>(969)</b>	-	<b>(969)</b>
At 31 December 2017	<b>10,300</b>	<b>80,932</b>	<b>125</b>	<b>12,731</b>	<b>93,407</b>	<b>197,495</b>

*Notes:*

- (a) In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiary registered in Macau is required to transfer part of its profits of each accounting period of not less than 25% to legal reserve, until the amount reaches half of its share capital.
- (b) The amount represented deemed distribution to a shareholder of the Company by the Group on the payment of the listing expenses attributable to the sale shares offered by Fortunate Year Investments Limited ("Fortunate Year"), which is one of the controlling shareholders of the Company (as defined in Note 1).

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 MOP'000	2016 MOP'000
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	9,839	28,227
Adjustments for:		
Depreciation of property, plant and equipment	2,983	2,400
Finance costs	151	199
Interest income	(13)	–
Loss on disposal of property, plant and equipment	35	–
Gain on disposal of an associate	(15)	–
Operating cash flows before movements in working capital	12,980	30,826
Decrease (increase) in trade receivables	6,302	(7,814)
Increase in other receivables, deposits and prepayments	(17,275)	(11,816)
(Increase) decrease in amounts due from/to customers for contract work, net	(21,380)	23,197
Increase (decrease) in trade and other payables and accruals	13,540	(931)
Increase (decrease) in amounts due to related parties	180	(3,500)
Cash (used in) generated from operations	(5,653)	29,962
Macau Complementary Tax paid	–	(1,473)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(5,653)</b>	<b>28,489</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(4,767)	(3,010)
Interest received	13	–
Deposits paid for acquisition of property, plant and equipment	(1,455)	(124)
Repayment from an associate	2,597	281
Proceeds from disposal of an associate	15	–
Repayment from related parties	–	6,358
Advance to related parties	–	(6,308)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3,597)</b>	<b>(2,803)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 MOP'000	2016 MOP'000
<b>FINANCING ACTIVITIES</b>		
Capital injection from Pre-IPO Investor of Clear Achieve	<b>13,450</b>	–
Advance from related parties	<b>1,838</b>	3,169
Repayment to related parties	<b>(11,898)</b>	(2,197)
Repayment of bank borrowings	<b>(1,106)</b>	(1,725)
Proceeds from issue of shares upon share offer	<b>98,880</b>	–
Transaction cost directly attributable to issue of shares	<b>(7,648)</b>	–
Deemed distribution to a shareholder	<b>(969)</b>	–
Interests paid	<b>(151)</b>	(199)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>92,396</b>	(952)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>83,146</b>	24,734
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>37,442</b>	12,708
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR,</b> represented by bank balances and cash	<b>120,588</b>	37,442

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 1. GENERAL

Kin Pang Holdings Limited (the “Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 22 June 2017 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 December 2017. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Office No.5, 20/F, Nam Wo Hong Building, 148 Wing Lok Street, Hong Kong. The Company’s immediate and ultimate holding company is Fortunate Year, a limited company incorporated in the British Virgin Islands (the “BVI”) with limited liability.

The consolidated financial statements are presented in Macau Pataca (“MOP”), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the “Group”).

The principal activity of the Company is investment holding. The Group’s principal activities are civil engineering business in Macau.

## 2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements have been prepared based on the accounting policies set out in note 4 which conform with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the principles of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA.

Before the completion of the reorganisation, Kin Pang Construction and Engineering Company Limited (“Kin Pang”) and Greatway Construction Engineering Limited (“Greatway”), the operating subsidiaries of the Company, were owned by Mr. Kong Kin I (“Mr. Kong”) and Ms. Choi Fong Lan (“Ms. Choi”), who is the spouse of Mr. Kong.

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

- (i) On 1 March 2017, Clear Achieve Global Limited (“Clear Achieve”) was incorporated as limited liability company in the BVI by issuing 60 shares and 40 shares of United States dollar (“US\$”) 1.00 each to Mr. Kong and Ms. Choi, respectively. On 19 May 2017, Clear Achieve allotted and issued 48 shares and 32 shares to Mr. Kong and Ms. Choi, respectively. The allotment was completed and shares were issued on 1 June 2017.
- (ii) On 31 May 2017, Mr. Kong and Ms. Choi transferred to Clear Achieve all shares of Kin Pang at a cash consideration of MOP250,000. Upon the completion of this transaction, Kin Pang became a wholly-owned subsidiary of Clear Achieve.
- (iii) Quasar Global Selection SPC Fund – Shenzhen Qianhai Glory Fund (“Pre-IPO Investor”), an independent third party and a segregated portfolio company incorporated in the Cayman Islands, entered into a subscription agreement with Clear Achieve, Mr. Kong and Ms. Choi for the subscription of 20 shares of Clear Achieve for a cash consideration of Hong Kong dollar (“HK\$”)13,000,000 (equivalent to MOP13,450,000) on 19 May 2017. The subscription was completed on 1 June 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION *(Continued)*

- (iv) On 22 June 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each with one share allotted and issued as nil-paid to the initial subscriber. On the same date, the initial subscriber transferred his one share to Fortunate Year, a company incorporated in the BVI with limited liability and owned as to 60% by Mr. Kong and 40% by Ms. Choi.
- (v) On 26 June 2017, Mr. Kong and Ms. Choi transferred the entire issued share capital of Greatway to Clear Achieve at a cash consideration of HK\$2. Upon the completion of this transaction, Greatway became a wholly-owned subsidiary of Clear Achieve.
- (vi) On 14 July 2017, Mr. Kong, Ms. Choi and Pre-IPO Investor transferred their entire equity interest in Clear Achieve to the Company in consideration of the allotment and issue of 89 shares of the Company to Fortunate Year (under the instruction of Mr. Kong and Ms. Choi) and 10 shares of the Company to Pre-IPO Investor. Upon completion of the transaction, Clear Achieve is the wholly-owned subsidiary of the Company.

Pursuant to the reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 14 July 2017. The Group comprising the Company and its subsidiaries resulting from the reorganisation is regarded as a continuing entity, accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

The consolidated financial statements have been prepared under the principles of merger accounting in accordance with the AG 5 issued by the HKICPA. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 31 December 2017 and 2016 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the years ended 31 December 2017 and 2016. The consolidated statement of financial position of the Group as at 31 December 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 those dates taking into account the respective dates of incorporation, where applicable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

The Group has adopted and consistently applied HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on 1 January 2017 for both current and prior years.

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

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 15	Revenue from contracts with customers and the related amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance contracts <sup>4</sup>
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration <sup>1</sup>
HK(IFRIC) – Int 23	Uncertainty over income tax treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 “Financial instruments” with HKFRS 4 “Insurance contracts” <sup>1</sup>
Amendments to HKFRS 9	Prepayment features with negative compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKAS 28	Long-term interests in associates and joint ventures <sup>2</sup>
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of investment property <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

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

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

#### **HKFRS 9 “Financial instruments”** *(Continued)*

Based on the assessment by the directors of the Company, if the expected credit loss model was to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would have no material difference as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables and retention receivables.

#### **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, 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

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.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. The revenue will be recognised under output method by reference to the stage of completion of the contract activity at the end of the reporting period, which is measured based on the proportion that work performed with reference to surveys of work performed to date, customers’ correspondence or other documents under HKFRS 15 and it is similar to the method used under current HKAS 11. The directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(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 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, 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. Upon application of 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 by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of MOP2,614,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of MOP563,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for 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 this consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

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

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

The principal accounting policies adopted are set out below.

#### **Basis of consolidation**

The consolidated financial statements incorporate the 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Basis of consolidation** *(Continued)*

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 statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

#### **Merger accounting for business combination involving entities under common control**

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated 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 consolidated 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 is a shorter period, regardless of the date of the common control combination.

#### **Investment in an associate**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Investments in associate** *(Continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, the difference between the previous carrying amount of the associate and its fair value of any proceeds from disposals is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

#### **Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business and net of discount.

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 based on the stage of completion at the end of the reporting period. The Group's policy for recognition of revenue from foundation constructions is described in accounting policy for construction contracts below.

Service income is recognised when the services are rendered.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 the reporting period, measured based on the proportion that work performed with reference to surveys of work performed to date, customer's correspondences or other documents. 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.

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

An item of property, 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 property, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Impairment loss on assets other than financial 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 of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### **Financial instruments**

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Financial instruments** *(Continued)*

##### **Financial assets** *(Continued)*

##### *Effective interest method*

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

Interest income is recognised on an effective interest basis.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amount due from a related party, loan to an associate, pledged bank deposits 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 financial assets below).

##### *Impairment of loans and receivables*

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where 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.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of 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 receivables.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Financial instruments** *(Continued)*

##### **Financial assets** *(Continued)*

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

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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### **Financial liabilities and equity instruments**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity 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 Company are recognised at the proceeds received, net of direct issue costs.

##### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Financial instruments** *(Continued)*

#### **Financial liabilities and equity instruments** *(Continued)*

##### *Financial liabilities at amortised cost*

The Group's financial liabilities including trade and other payables and accruals and amounts due to related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

#### **Derecognition**

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

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **Retirement benefits costs**

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong and the Social Security Fund Contribution in Macau are recognised as an expense when employees have rendered service, entitling them to the contributions.

#### **Employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

#### **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.

#### **The Group as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Taxation

Taxation represents the sum of the income tax expense 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 the 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 profits 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 (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the 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.

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 amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

#### **Foreign currencies**

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

### 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management of the Group is 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 underlying 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 is 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 assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

#### **Construction contracts**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

#### **Construction contracts** *(Continued)*

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

#### **Impairment assessment on trade receivables**

Management's judgement and estimation on the evaluation of recoverability of the trade receivables is used to determine the impairment assessment on trade receivables. A considerable amount of judgement is required in assessing the ultimate realisation of each individual trade receivables based on past collection history, ageing analysis and subsequent settlements of the trade receivables. Where the expectation of the recoverability of the debts are different from the original estimate, material allowance may be required.

### 6. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for building and ancillary services and emergency repair services rendered by the Group to customers.

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the management of the Group, in order for the CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

- (a) Building and ancillary services; and
- (b) Emergency repair services.

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 6. REVENUE AND SEGMENT INFORMATION *(Continued)*

#### Segment revenue and profit

##### Year ended 31 December 2017

	Building and ancillary services MOP'000	Emergency repair services MOP'000	Total MOP'000
Segment revenue	233,585	11,847	245,432
Segment results	33,094	5,354	38,448
Other income, gains and losses, net			239
Administrative expenses			(12,575)
Finance costs			(151)
Listing expenses			(16,122)
Profit before taxation			9,839

##### Year ended 31 December 2016

	Building and ancillary services MOP'000	Emergency repair services MOP'000	Total MOP'000
Segment revenue	163,003	13,036	176,039
Segment results	29,758	4,352	34,110
Other income			183
Administrative expenses			(5,867)
Finance costs			(199)
Profit before taxation			28,227

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment results mainly represented profit earned by each segment, excluding other income, gains and losses, net, administrative expenses, finance costs, listing expenses and income tax expense.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 6. REVENUE AND SEGMENT INFORMATION *(Continued)*

#### Other segment information

#### Year ended 31 December 2017

	Building and ancillary services MOP'000	Emergency repair services MOP'000	Unallocated MOP'000 <i>(note)</i>	Total MOP'000
Amount included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment revenue	<b>2,564</b>	–	<b>419</b>	<b>2,983</b>

#### Year ended 31 December 2016

	Building and ancillary services MOP'000	Emergency repair services MOP'000	Unallocated MOP'000 <i>(note)</i>	Total MOP'000
Amount included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment revenue	2,001	–	399	2,400

*Note:* All amounts included in the measure of segment profit or loss or segment assets are allocated to operating segments other than depreciation of property, plant and equipment which are related to unallocated assets commonly used for corporate operation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 6. REVENUE AND SEGMENT INFORMATION *(Continued)*

#### Geographical information

No geographical segment information is presented for the Group's revenue as all derived from Macau based on the location of the projects.

The Group's non-current assets by geographical location of the assets are detailed below:

	Non-current assets	
	2017 MOP'000	2016 MOP'000
Macau	14,146	10,929
Hong Kong	362	–
	<b>14,508</b>	10,929

#### Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year of which is generated from the building and ancillary services segment is as follows:

	2017 MOP'000	2016 MOP'000
Customer A	N/A*	60,955
Customer B	53,509	35,255
Customer C	79,281	19,874
Customer D	N/A*	17,779

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

Mr. Kong and Ms. Choi were appointed as executive directors of the Company on 22 June 2017. Mr. Cheung Wai Lun Jacky, Mr. Cheung Kin Wing and Mr. Zhao Zhipeng were appointed as independent non-executive directors of the Company on 24 November 2017. Mr. Kong and Ms. Choi were the directors of the group entities before they were appointed as the directors of the Company. The emoluments paid or payable to directors and chief executive of the Company are as follows:

	Executive directors		Independent non-executive directors			Total MOP'000
	Mr. Kong MOP'000 (Note)	Ms. Choi MOP'000	Mr. Cheung Wai Lun Jacky MOP'000	Mr. Cheung Kin Wing MOP'000	Mr. Zhao Zhipeng MOP'000	
<b>Year ended 31 December 2017</b>						
Fees	-	-	9	9	9	27
Other emoluments						
Salaries and other benefits	900	600	-	-	-	1,500
Retirement benefit scheme contributions	-	-	-	-	-	-
Total emoluments	900	600	9	9	9	1,527
			Executive directors			
			Mr. Kong MOP'000 (Note)	Ms. Choi MOP'000		Total MOP'000
<b>Year ended 31 December 2016</b>						
Fees			-	-		-
Other emoluments						
Salaries and other benefits			180	180		360
Retirement benefit scheme contributions			-	-		-
Total emoluments			180	180		360

Note: Mr. Kong acts as chief executive of the Group.

The executive directors' emoluments are for their services in connection to the management of the affairs of the Company and Group.

The independent non-executive directors' emoluments are for their services as directors of the Company.

During both years, no remuneration was paid 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. None of the directors of the Company have waived any remuneration during the both years.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

#### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2016: nil) individual was the director of the Company whose emolument was disclosed in note 7(a). The emoluments of the remaining four (2016: five) highest paid individuals for the year ended 31 December 2017 are as follows:

	2017 MOP'000	2016 MOP'000
Salaries and other benefits	4,312	4,478
Bonus <i>(note)</i>	1,019	870
Retirement benefit scheme contributions	9	10
	<b>5,340</b>	5,358

*Note:* The discretionary bonus is determined by reference to their duties and responsibilities within the Group and the Group's performance.

Their emoluments are within the following bands:

	2017 MOP'000	2016 MOP'000
Nil to HK\$1,000,000	–	3
HK\$1,000,001 to HK\$1,500,000	3	1
HK\$1,500,001 and HK\$2,000,000	1	1

During both years, no emoluments were 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, GAINS AND LOSSES, NET

	2017 MOP'000	2016 MOP'000
Interest income	13	–
Loss on disposal of property, plant and equipment	(35)	–
Gain on disposal of an associate	15	–
Other income	246	183
	<b>239</b>	183

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 9. FINANCE COSTS

	2017 MOP'000	2016 MOP'000
Interests on bank borrowings	151	199

### 10. PROFIT BEFORE TAXATION

	2017 MOP'000	2016 MOP'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	1,200	78
Depreciation of property, plant and equipment	2,983	2,400
Staff costs (including directors' emoluments):		
Salaries and other benefits	41,638	24,092
Retirement benefits scheme contributions	143	99
	41,781	24,191
Less: staff cost capitalised to direct costs	(35,174)	(22,190)
	6,607	2,001
Minimum lease payments under operating leases in respect of		
– land and building (included in administrative expenses)	1,997	1,191
– site equipment (included in direct costs)	2,039	844
	4,036	2,035

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 11. INCOME TAX EXPENSE

	2017 MOP'000	2016 MOP'000
Macau Complementary Tax:		
Current tax	<b>3,777</b>	2,248

Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding MOP600,000 for both years.

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

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

	2017 MOP'000	2016 MOP'000
Profit before taxation	<b>9,839</b>	28,227
Tax at the domestic income tax rate of 12%	<b>1,181</b>	3,387
Tax effect of expense not deductible for tax purpose	<b>2,668</b>	–
Tax effect of tax exemption under Macau Complementary Tax	<b>(72)</b>	(72)
Tax deductible for dividend declared	–	(1,068)
Others	–	1
Income tax expense	<b>3,777</b>	2,248

The Group had no significant unprovided deferred tax during the two years ended 31 December 2017 and 2016 and at the end of the reporting periods.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 12. DIVIDENDS

No dividend was paid or declared during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period.

During the year ended 31 December 2016, Kin Pang declared and paid dividends of MOP8,900,000, to the then shareholders. The rate of dividend and number of shares ranking for dividend are not presented, as such information is not considered as meaningful.

### 13. EARNINGS PER SHARE

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

#### Earnings

	2017 MOP'000	2016 MOP'000
Earnings for the purpose of basic earnings per share attributable to owners of the Company	<b>6,062</b>	25,979

#### Number of shares

	2017 '000	2016 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings for share	<b>776,219</b>	720,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the reorganisation and the capitalisation issue (as disclosed in note 23) had been effective on 1 January 2016.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures MOP'000	Motor vehicles MOP'000	Plant and machinery MOP'000	Office equipment MOP'000	Total MOP'000
<b>COST</b>					
At 1 January 2016	51	2,510	10,201	204	12,966
Additions	4	802	2,167	37	3,010
At 31 December 2016	<b>55</b>	<b>3,312</b>	<b>12,368</b>	<b>241</b>	<b>15,976</b>
Additions	<b>286</b>	<b>555</b>	<b>4,028</b>	<b>22</b>	<b>4,891</b>
Disposal	-	-	(103)	-	(103)
At 31 December 2017	<b>341</b>	<b>3,867</b>	<b>16,293</b>	<b>263</b>	<b>20,764</b>
<b>DEPRECIATION</b>					
At 1 January 2016	27	466	2,576	72	3,141
Provided for the year	5	534	1,813	48	2,400
At 31 December 2016	<b>32</b>	<b>1,000</b>	<b>4,389</b>	<b>120</b>	<b>5,541</b>
Provided for the year	<b>23</b>	<b>702</b>	<b>2,209</b>	<b>49</b>	<b>2,983</b>
Eliminated upon disposal	-	-	(68)	-	(68)
At 31 December 2017	<b>55</b>	<b>1,702</b>	<b>6,530</b>	<b>169</b>	<b>8,456</b>
<b>CARRYING AMOUNTS</b>					
At 31 December 2017	<b>286</b>	<b>2,165</b>	<b>9,763</b>	<b>94</b>	<b>12,308</b>
At 31 December 2016	23	2,312	7,979	121	10,435

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

Furniture and fixtures	20%
Motor vehicles	25%
Plant and machinery	15–20%
Office equipment	20%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 15. INTERESTS IN AN ASSOCIATE

	2016 MOP'000
Cost of unlisted investment in an associate	15
Share of post-acquisition results and other comprehensive expense	(15)
	<u>–</u>

Details of the interests in an associate are as follows:

Name of associate	Place of incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interest of the Group as at 31 December 2016	Principal activities
Hang Kin Engineering Co., Ltd. ("Hang Kin")	Macau	Macau	MOP30,000 ordinary shares	50%	Leasing of construction machinery

In accordance with the article of association of Hang Kin, the Group can appoint one director while the other shareholder, Hang Tung Foundation Engineering Company Limited, which is incorporated in Macau and owned by an independent third party, can appoint two directors to Hang Kin. The Group exercises significant influence over Hang Kin and treats such as an associate accordingly.

As at 31 December 2016, the Group held a 50% interest in Hang Kin, a limited company incorporated in Macau, and accounted as an associate. On 5 July 2017, the Group disposed of its entire interest of Hang Kin to Kin Hang Machinery Equipment Company Limited ("Kin Hang"), which is a limited entity incorporated in Macau that is 80% owned by Ms. Choi and 20% owned by Ms. Kong Pou lan, the daughter of Mr. Kong and Ms. Choi, at a cash consideration of MOP15,000. The consideration was settled and the transaction was completed in the same month. The disposal resulted in the recognition of a gain in profit or loss, calculated as follows:

	MOP'000
Proceeds of disposal	15
Less: Carrying amount of the 50 % investment on the date of loss of significant influence	<u>–</u>
Gain recognised	<u>15</u>

Upon the disposal, Hang Kin is no longer an associate of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 16. TRADE RECEIVABLES

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

	<b>2017</b> MOP'000	2016 MOP'000
0 – 30 days	<b>18,338</b>	28,387
31 – 60 days	<b>3,200</b>	3,491
61 – 90 days	<b>1,553</b>	3,948
91 – 365 days	<b>7,235</b>	1,452
Over 365 days	<b>715</b>	65
	<b>31,041</b>	37,343

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 65.3% (2016: 76.0%) of trade receivables as at 31 December 2017 that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

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

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately MOP10,781,000 (2016: MOP8,956,000) which are past due at 31 December 2017, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

	<b>2017</b> MOP'000	2016 MOP'000
31 – 60 days	<b>1,278</b>	3,491
61 – 90 days	<b>1,553</b>	3,948
91 – 180 days	<b>5,924</b>	1,322
Over 180 days	<b>2,026</b>	195
	<b>10,781</b>	8,956

In determining the recoverability of a trade receivable, the Group considers the ultimate realisation of each individual trade receivables based on past collection history, ageing analysis and subsequent settlements of the trade receivables. The trade receivables which are past due but not provided for as at the end of the reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and management of the Group believes that no impairment is required.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 MOP'000	2016 MOP'000
Retention receivables	26,873	20,623
Deposits paid for acquisition of property, plant and equipment	1,455	124
Other deposits	1,002	3,681
Prepayments to suppliers	12,489	–
Other prepayments	2,679	1,464
Total	<b>44,498</b>	25,892
Analysed for reporting purposes as:		
Non-current assets ( <i>note</i> )	2,200	494
Current assets	42,298	25,398
	<b>44,498</b>	25,892

*Note:* As at 31 December 2017, include in the balance, MOP85,000 (2016: nil) was paid to Mr. Kong and Ms. Choi as the refundable rental deposit in relation to the lease of premise which is owned by Mr. Kong and Ms. Choi as office of the Group.

Retention receivables are unsecured and interest-free and represented the monies withheld by customers of contract works recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective building and ancillary projects.

The retention receivables are to be settled, based on the completion of the defect liability period, at the end of the reporting period as follows:

	2017 MOP'000	2016 MOP'000
On demand or within one year	9,846	13,374
After one year	17,027	7,249
	<b>26,873</b>	20,623



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

	2017 MOP'000	2016 MOP'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised loss	<b>127,190</b>	109,304
Less: Progress billings	<b>(56,009)</b>	(59,503)
Total	<b>71,181</b>	49,801
Analysed as:		
Amounts due from customers for contract work	<b>72,207</b>	59,677
Amounts due to customers for contract work	<b>(1,026)</b>	(9,876)
	<b>71,181</b>	49,801

### 19. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represent balances pledged to a bank to secure the banking facilities (including the bank borrowings and performance guarantee) granted to the Group, and carry interest at prevailing market rate of 0.01% per annum.

As at 31 December 2017 and 2016, bank balances and cash comprise of cash held and short-term bank deposits with an original maturity of three months or less which carry interest at prevailing market rate of 0.01% per annum.

### 20. TRADE AND OTHER PAYABLES AND ACCRUALS

	2017 MOP'000	2016 MOP'000
Trade payables	<b>47,824</b>	31,185
Salaries payable	<b>7,316</b>	4,709
Retention payables	<b>10,301</b>	9,668
Accruals and other payables	<b>2,814</b>	9,153
	<b>68,255</b>	54,715

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 20. TRADE AND OTHER PAYABLES AND ACCRUALS *(Continued)*

The credit period grants to the Group by suppliers/subcontractors normally ranges from 0 to 60 days. The following is an ageing analysis of trade payables based on the invoice date at the end of the reporting period:

	2017 MOP'000	2016 MOP'000
0 to 30 days	43,727	6,260
31 – 60 days	864	11,639
61 – 90 days	596	667
91 – 180 days	796	1,194
181 – 365 days	81	6,482
Over 365 days	1,760	4,943
	<b>47,824</b>	<b>31,185</b>

Retention payables to subcontractors are interest-free and payable at the end of the defect liability period of individual contracts (i.e. one year after completion of respective contract). All retention payables are expected to be settled within one year based on the expiry date of the defect liability period.

### 21. AMOUNTS DUE FROM/TO RELATED PARTIES/LOAN TO AN ASSOCIATE

#### Amounts due from related parties

The amounts are non-trade, unsecured, interest-free and repayable on demand.

Details of amounts due from related parties are stated as follows:

	As at 31 December		Maximum amount during the year ended 31 December	
	2017 MOP'000	2016 MOP'000	2017 MOP'000	2016 MOP'000
Mr. Kong	–	–	–	3,715
Hang Kin	–	2,014	<b>2,014</b>	2,295
	–	2,014		

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 21. AMOUNTS DUE FROM/TO RELATED PARTIES/LOAN TO AN ASSOCIATE *(Continued)*

#### Loan to an associate

In prior years, Kin Pang disposed an equipment to Hang Kin at a consideration of MOP3,600,000. Kin Pang also agreed Hang Kin to repay the consideration by instalment until June 2016 with 6.25% per annum. The loan is settled during the year ended 31 December 2017. The exposure of the Group's fixed-rate loan to an associate and the contractual maturity dates are as follows:

	2017 MOP'000	2016 MOP'000
Within one year	–	583

#### Amounts due to related parties

Details of amounts due to related parties are stated as follows:

	2017 MOP'000	2016 MOP'000
Mr. Kong	–	6,220
Ms. Choi	–	3,567
Constructor Civil Kong Kin I <i>(note a)</i>	–	273
Hang Kin <i>(note b)</i>	<b>180</b>	–
	<b>180</b>	10,060

#### Notes:

- (a) Constructor Civil Kong Kin I is a sole proprietorship registered in Macau that is wholly-owned by Mr. Kong.
- (b) As at 31 December 2017, the amount due to Hang Kin of MOP180,000 is trade in nature with the credit period granted to the Group being 30 days. The entire balance being aged within 30 days based on the invoice date at the end of the reporting period and being settled subsequent to the end of reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 22. BANK BORROWINGS

	2017 MOP'000	2016 MOP'000
Carrying amount repayable base on schedule repayment terms:		
– Within one year	1,070	1,106
– More than one year but not exceeding two years	641	1,070
– More than two years but not exceeding five years	1,321	1,503
– More than five years	520	979
	3,552	4,658
Less: Amounts due within one year under current liabilities	(1,070)	(1,106)
Amounts show under non-current liabilities	2,482	3,552

The bank borrowings are at floating rate which carry interest at MOP best lending rate plus/minus a spread. The effective interest rate on the Group's bank borrowings was 4.88% (2016: 4.96%) per annum as at 31 December 2017.

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

- (i) the pledged bank balances of MOP200,000 as at 31 December 2017 (2016: MOP200,000);
- (ii) property owned by Mr. Kong and Ms. Choi; and
- (iii) unlimited personal guarantee by Mr. Kong.

The pledge of property owned by Mr. Kong and Ms. Choi and personal guarantee provided by Mr. Kong were released subsequent to the end of reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 23. SHARE CAPITAL

The share capital as at 1 January 2016 and 31 December 2016 represented the combined share capital of Kin Pang and Greatway. The share capital as at 31 December 2017 represented the share capital of the Company.

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

	Number of shares	Amount MOP'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 22 June 2017 (date of incorporation) (note i)	38,000,000	391
Increase on 24 November 2017 (note iii)	9,962,000,000	102,609
At 31 December 2017	<b>10,000,000,000</b>	<b>103,000</b>
Issued and fully paid:		
At 22 June 2017 (date of incorporation) (note i)	1	–
Issue of new shares on reorganisation (note ii)	99	–
Capitalisation issue (note iv)	799,999,900	8,240
Issue of new shares upon the Listing (note v)	200,000,000	2,060
At 31 December 2017	<b>1,000,000,000</b>	<b>10,300</b>

*Notes:*

- (i) On 22 June 2017, the Company was incorporated with an authorised share capital of HK\$380,000 (equivalent to MOP391,400) 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 14 July 2017, 99 shares of the Company were allotted and issued for acquisition of Clear Achieve. Details refer to note 2(vi).
- (iii) Pursuant to the written resolutions passed by the shareholders on 24 November 2017, the authorised share capital of the Company was increased from HK\$380,000 (equivalent to MOP391,400) to HK\$100,000,000 (equivalent to MOP103,000,000) by creation of additional 9,962,000,000 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 24 November 2017, conditional upon the share premium account of the Company being credited as a result of the offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK\$7,999,999 (equivalent to MOP 8,239,999) from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par. The capitalisation issue was completed on 15 December 2017.
- (v) On 15 December 2017, 200,000,000 shares of the Company were issued at HK\$0.48 per share for a total consideration of HK\$96,000,000 (equivalent to MOP98,880,000).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Costs of issue of shares MOP'000	Dividends payable MOP'000	Amounts due to related parties (non-trade) MOP'000	Bank borrowings MOP'000	Total MOP'000
At 1 January 2016	-	-	188	6,383	6,571
Financing cash flows ( <i>note</i> )	-	-	972	(1,924)	(952)
Dividends declared ( <i>note 12</i> )	-	8,900	-	-	8,900
Settlement of dividend payable through amounts due to related parties	-	(8,900)	8,900	-	-
Finance costs recognised	-	-	-	199	199
At 31 December 2016	-	-	<b>10,060</b>	<b>4,658</b>	<b>14,718</b>
Financing cash flows ( <i>note</i> )	<b>(8,617)</b>	-	<b>(10,060)</b>	<b>(1,257)</b>	<b>(19,934)</b>
Financing costs recognised	-	-	-	<b>151</b>	<b>151</b>
Transaction cost directly attributable to issue of shares	<b>7,648</b>	-	-	-	<b>7,648</b>
Deemed distribution to a shareholder	<b>969</b>	-	-	-	<b>969</b>
At 31 December 2017	-	-	-	<b>3,552</b>	<b>3,552</b>

*Note:* The financing cash flows represented the advance from related parties, payment of direct transaction cost attributable to issue of shares and finance costs, repayments to bank borrowings and related parties and distribution made to a shareholder.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 25. OPERATING LEASE COMMITMENTS

At 31 December 2017, the Group has commitments for future minimum lease payments under non-cancellable operating leases with related parties amounting to MOP508,000 (2016: nil) and independent third parties amounting to MOP2,106,000 (2016: MOP2,410,000), which fall due as follows:

	<b>2017</b> <b>MOP'000</b>	2016 MOP'000
Within one year	<b>2,099</b>	1,205
In the second to fifth year inclusive	<b>515</b>	1,205
	<b>2,614</b>	2,410

Leases and rentals are negotiated and fixed for term of one year to three years.

### 26. RETIREMENT BENEFITS SCHEMES

Eligible employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

The Group operates the MPF Scheme for all qualifying employee(s) in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK\$1,500 per month or 5% of the relevant payroll costs to the MPF Scheme.

At the end of the reporting period, there were no forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

The total contributions incurred in this connection for the year was approximately MOP143,000 (2016: MOP99,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 27. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted, pursuant to a resolution passed on 24 November 2017, for the primary purpose of providing incentives to any full-time or part-time employee of the Company or any member of the Group, including any executive directors, non-executive directors and independent non-executive directors, and any suppliers, customers, agents, advisors and consultants of the Group. 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. 1,000,000,000 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 28 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 (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of a Company's share.

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

### 28. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes amounts due to related parties, bank borrowings and equity of the Group, comprising issued share capital, share premium, legal reserve, other reserves and accumulated profits.

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 issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 29. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	2017 MOP'000	2016 MOP'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	<b>181,572</b>	101,563
<b>Financial liabilities</b>		
Amortised cost	<b>64,671</b>	64,724

#### Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, loan to an associate, pledged bank deposits, bank balances and cash, trade and other payables and accruals, amounts due from/to related parties and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Currency risk

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Group is exposed to currency risk primarily through sales proceeds received from customers and the proceeds from issue of shares upon share offer that are denominated in a currency other than the group entities' functional currency. The currencies giving rise to this risk are primarily HK\$.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group 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 31 December 2017

### 29. FINANCIAL INSTRUMENTS *(Continued)*

#### Financial risk management objectives and policies *(Continued)*

##### Currency risk *(Continued)*

The carrying amounts of the Group's HK\$ denominated monetary assets at the end of the reporting period are as follows:

	2017 MOP'000	2016 MOP'000
Monetary assets	89,109	893

##### Sensitivity analysis

As the exchange rate of HK\$/MOP is relatively stable, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK\$/MOP exchange rates. As a result, the management of the Group considers that the sensitivity of the Group's exposure towards the change in foreign exchange rates between HK\$/MOP is minimal.

##### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan to an associate (see note 21) as at 31 December 2016. The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances (see note 19) and bank borrowings (see note 22) as at 31 December 2017 and 2016. The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's pledged bank deposits, bank balances and MOP best lending rate arising from the Group's variable-rate bank borrowings.

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole year and 50 basis points increase or decrease are used. The pledged bank deposits and bank balances are excluded from the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is not significant.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would decrease/increase by MOP16,000 (2016: MOP20,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 29. FINANCIAL INSTRUMENTS *(Continued)*

#### Financial risk management objectives and policies *(Continued)*

##### Credit risk

The Group's credit risk is primarily attributable to trade receivables, retention receivables and bank balances as at 31 December 2017 and 2016 and also loan to an associate and amount due from a related party as at 31 December 2016.

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 amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period.

Management of the Group adopted a policy on providing credit facilities to new customers. A credit investigation of the customers or the ultimate customers if those contracts allow the Group to obtain payment directly from the ultimate customers under certain circumstance, including assess to financial information, advice from business partners in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

The Group has concentration of credit risks with exposure limited to certain customers. The top three debtors amounting to MOP17,728,000 (2016: MOP27,707,000) comprised approximately 57% (2016: 74%) of the Group's trade receivables as at 31 December 2017. Management of the Group closely monitors the subsequent settlement of the customers. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk for pledged bank deposits and bank balances is considered not material as such amounts are placed in banks with good reputations.

The Group has concentration of credit risk on amounts due from a related party and loan to an associate as at 31 December 2016. Details are disclosed in note 21. The management of the Group considers the counterparties with good credit worthiness based on its past repayment history and subsequent settlement.

##### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 29. FINANCIAL INSTRUMENTS *(Continued)*

#### Financial risk management objectives and policies *(Continued)*

##### Liquidity risk *(Continued)*

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	On demand or within 3 months MOP'000	4 – 12 months MOP'000	1 year to 2 years MOP'000	2 years to 5 years MOP'000	Over 5 years MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
<b>As at 31 December 2017</b>								
<b>Non-derivative financial liabilities</b>								
Trade and other payables and accruals	-	50,638	10,301	-	-	-	60,939	60,939
Amount due to a related party	-	180	-	-	-	-	180	180
Bank borrowings	4.88	303	910	733	1,475	533	3,954	3,552
		<b>51,121</b>	<b>11,211</b>	<b>733</b>	<b>1,475</b>	<b>533</b>	<b>65,073</b>	<b>64,671</b>

	Weighted average effective interest rate %	On demand or within 3 months MOP'000	4 – 12 months MOP'000	1 year to 2 years MOP'000	2 years to 5 years MOP'000	Over 5 years MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
<b>As at 31 December 2016</b>								
<b>Non-derivative financial liabilities</b>								
Trade and other payables and accruals	-	40,338	9,668	-	-	-	50,006	50,006
Amounts due to related parties	-	10,060	-	-	-	-	10,060	10,060
Bank borrowings	4.96	373	1,073	1,212	1,716	1,024	5,398	4,658
		<b>50,771</b>	<b>10,741</b>	<b>1,212</b>	<b>1,716</b>	<b>1,024</b>	<b>65,464</b>	<b>64,724</b>

#### Fair value measurements of financial instruments

Management of the Group considers 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 31 December 2017

### 30. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2017 MOP'000	2016 MOP'000
Rental expense of office to Mr. Kong and Ms. Choi ( <i>note</i> )	560	–
Rental expense of site equipment to Hang Kin	498	–

*Note:* During the year ended 31 December 2016, the Group used the premise owned by Mr. Kong and Ms. Choi as office with nil consideration.

Details of the balances with related parties at the end of the reporting period are disclosed in the consolidated statement of financial position and note 21.

### Compensation of key management personnel

The remuneration of directors of the Company, being the key management personnel, during the year were as follows:

	2017 MOP'000	2016 MOP'000
Short-term benefits	1,527	360
Post-employment benefits	–	–
	<b>1,527</b>	<b>360</b>

### 31. CONTINGENT LIABILITIES

As at 31 December 2017, performance guarantee of approximately MOP36,936,000 (2016: MOP37,982,000) were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. The Group has contingent liabilities to indemnify the bank for any claims from customers under the guarantee due to the failure of the Group's performance. The performance guarantee will be released upon completion of the contract works. The performance guarantees were granted under the banking facilities with details as set out in note 22. At the end of the reporting period, the management of the Group does not consider it is probable that a claim will be made against the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

	2017 MOP'000
Non-current asset	
Investments in subsidiaries	2
Current assets	
Prepayment	163
Bank balances and cash	85,279
	85,442
Current liabilities	
Other payables and accruals	1,332
Amount due to subsidiaries	11,280
	12,612
Net current assets	72,830
	72,832
Capital and reserves	
Share capital	10,300
Reserves	62,532
	72,832

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

#### Movement in the Company's reserves

	Share premium MOP'000	Accumulated loss MOP'000	Other reserve MOP'000	Total MOP'000
At 22 June 2017 (date of incorporation)	-	-	-	-
Loss and total comprehensive expense for the period	-	(17,431)	-	(17,431)
Issue of shares upon share offer <i>(note 23(v))</i>	96,820	-	-	96,820
Capitalisation issue <i>(note 23(iv))</i>	(8,240)	-	-	(8,240)
Transaction costs directly attributable to issue of shares	(7,648)	-	-	(7,648)
Deemed distribution to a shareholder <i>(note)</i>	-	-	(969)	(969)
At 31 December 2017	80,932	(17,431)	(969)	62,532

*Note:* The amount represented deemed distribution to a shareholder by the Company for the payment of the listing expenses attributable to the sale shares offered by Fortunate Year, which is one of the controlling shareholders of the Company.

### 33. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2017 are as follows:

Name of subsidiary	Place of establishment	Place of operation	Issued and full paid share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
				Directly	Indirectly	
Clear Achieve	BVI	Hong Kong/BVI	US\$1	100%	-	Investment holdings
Kin Pang	Macau	Macau	MOP250,000	-	100%	Civil engineering business in Macau
Greatway	Hong Kong	Hong Kong	HK\$2	-	100%	Administrative support for the Group

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 34. CAPITAL COMMITMENTS

	2017 MOP'000	2016 MOP'000
Capital expenditure contracted but not provided in the consolidated financial statements		
– acquisition of property, plant and equipment	–	372

### 35. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2017, the Group utilised approximately MOP124,000 of deposits paid for acquisition of property, plant and equipment.

During the year ended 31 December 2016, the dividends of MOP8,900,000 paid by Kin Pang were settled with the then shareholders' current account.



## FINANCIAL SUMMARY

	For the year ended 31 December			
	2017 MOP'000	2016 MOP'000	2015 MOP'000	2014 MOP'000
<b>RESULTS</b>				
Revenue	245,432	176,039	173,709	206,945
Profit before taxation	9,839	28,227	23,128	18,036
Income tax expense	(3,777)	(2,248)	(2,104)	(1,913)
Profit for the year	6,062	25,979	21,024	16,123
Profit for the year attributable to: Owners of the Company	6,062	25,979	21,024	16,123
<b>As at 31 December</b>				
	2017 MOP'000	2016 MOP'000	2015 MOP'000	2014 MOP'000
<b>ASSETS AND LIABILITIES</b>				
Total assets	280,842	173,586	144,782	104,170
Total liabilities	83,347	85,866	74,141	49,553
Net assets	197,495	87,720	70,641	54,617
Equity attributable to owners of the Company	197,495	87,720	70,641	54,617
Total equity	197,495	87,720	70,641	54,617

*Note:* The results for the years ended 31 December 2014, 2015 and 2016 have been prepared on a combined basis to indicate the results of the Group as if the Group structure, at the time when the Company's Shares were listed on the Stock Exchange, has been in existence throughout the years concerned. The figures for years ended 31 December 2014, 2015 and 2016 have been extracted from the Company's Prospectus dated 30 November 2017.

This report is published in both English and Chinese languages. Should there be any inconsistency between the Chinese and English versions, the English version shall prevail.