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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Lau Chi Wang (*Chairman*)
Mr. Lau Chi Ming
Dr. Lau Chi Keung (*Chief Executive Officer*)

Independent Non-executive Directors

Mr. Leung Bing Kwong Edward
Mr. Pang Ka Hang
Mr. Wong Chun Nam

BOARD COMMITTEES

Audit Committee

Mr. Pang Ka Hang (*Chairman*)
Mr. Leung Bing Kwong Edward
Mr. Wong Chun Nam

Remuneration Committee

Mr. Wong Chun Nam (*Chairman*)
Mr. Lau Chi Ming
Mr. Leung Bing Kwong Edward
Mr. Pang Ka Hang

Nomination Committee

Mr. Leung Bing Kwong Edward (*Chairman*)
Dr. Lau Chi Keung
Mr. Pang Ka Hang
Mr. Wong Chun Nam

COMPANY SECRETARY

Ms. Yim Sau Ping

AUTHORISED REPRESENTATIVES

Mr. Lau Chi Ming
Ms. Yim Sau Ping

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1901-1904
China Merchants Building
152-155 Connaught Road Central
Hong Kong

COMPLIANCE ADVISER

Frontpage Capital Limited
26/F, Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

CFN Lawyers in association with Broad and Bright
Units 4101-04, 41/F
Sun Hung Kai Centre
30 Harbour Road
Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

COMPANY'S WEBSITE

www.shingchiholdings.com

STOCK CODE

1741



Chairman's Statement

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Shing Chi Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”), I am pleased to present to our shareholders the first annual report of our Group for the year ended 30 September 2018 following the listing of our Company (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

THE LISTING

The shares of our Company were successfully listed on the Main Board of the Stock Exchange on 16 October 2018 (the “**Listing Date**”). 200,000,000 shares of our Company were issued under the share offer, raising net proceeds of approximately HK\$86.6 million (after deducting listing expenses). The Listing was an important milestone in our Group's history. The additional capital raised allows us to expand our business. It has also provided our Group an opportunity to strengthen our corporate governance and further promote our Group as an all-round contractor providing a wide spectrum of construction services to the public.

FINANCIAL RESULTS

For the year ended 30 September 2018, our Group recorded a total revenue of approximately HK\$379.6 million, representing an increase of approximately 5.6% as compared to approximately HK\$359.3 million for the year ended 30 September 2017. Our Group recorded a net profit of approximately HK\$10.1 million for the year ended 30 September 2018. Setting aside the listing expenses, our Group's adjusted net profit for the year ended 30 September 2018 was approximately HK\$25.6 million, representing a slight growth of approximately 0.7% as compared to that for the year ended 30 September 2017.

PROSPECTS

The Listing provided our Group additional capital funding to implement our business strategies and enhance our capacity. Looking ahead, we expect a steady growth in the construction industry in Hong Kong driven by the continuous infrastructure development and the government's initiatives to increase housing supply through the increase in public housing construction and the Land Sale Programme. Our Group will continue to obtain additional qualifications and strengthen our financial resources to position ourselves to tender for more sizeable projects in the public sector as a main contractor. We will also continue to invest in our manpower and information system to enhance our operational capacity and efficiency.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincerest gratitude to the shareholders, customers, suppliers and subcontractors for their continuous support. I would also like to send my warmest thanks to all our management and staff members for their hard work and dedication prior to and after the Listing.

Lau Chi Wang

Chairman and Executive Director

Hong Kong, 21 December 2018



Management Discussion and Analysis

BUSINESS REVIEW

The Group is a construction contractor in Hong Kong principally providing (i) foundation and site formation works, which mainly include piling works, ELS works, pile cap construction and ground investigation works; (ii) general building works and associated services, which mainly include development of superstructures, alteration and addition works; and (iii) other construction works, which mainly include slope works and demolition works. The Group is able to undertake construction works as either a main contractor or a subcontractor. Besides construction, the Group also provides construction related consultancy services including engineering consulting on construction designs and works supervision, and construction contract administration services.

As at 30 September 2018, the Group had 34 construction projects on hand (including projects in progress and projects that are yet to commence) with a total contract value of approximately HK\$1,161.2 million. As at 30 September 2017, the Group had 35 construction projects on hand with a total contract value of approximately HK\$993.2 million.

OUTLOOK

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date by way of public offer and placing (the “Share Offer”). The Directors believe that the Listing could enhance the Group’s profile and recognition which will enhance the customers’ confidence in the Group. In addition, the net proceeds from the Share Offer will provide additional resources for the Group to expand its business.

As supported by the government’s initiatives in infrastructure development and increase in housing supply, the general outlook of the construction industry in Hong Kong is expected to stay positive. Even though the construction industry will remain under intense competition, the Group is confident that it will be able to maintain its competitiveness and expand its business.

FINANCIAL REVIEW

Revenue

The Group’s revenue increased by approximately HK\$20.3 million, or 5.6%, from approximately HK\$359.3 million for the year ended 30 September 2017 to approximately HK\$379.6 million for the year ended 30 September 2018. The following table sets out a breakdown of the Group’s revenue during the years ended 30 September 2018 and 2017 by segments:

	Year ended 30 September			
	2018		2017	
	HK\$’000	%	HK\$’000	%
Foundation and site formation works	124,061	32.7	131,784	36.7
General building works and associated services	178,684	47.1	172,538	48.0
Other construction works	65,515	17.2	40,647	11.3
Construction related consultancy services	11,315	3.0	14,342	4.0
Total	379,575	100.0	359,311	100.0

Management Discussion and Analysis

The revenue growth of the Group was primarily driven by the increase in revenue contribution from other construction works as the Group has completed a substantial amount of works for a sizeable public sector soil nail installation project during the year ended 30 September 2018. Such increase was partially offset by the lower revenue generated from the Group's construction related consultancy services due to the cessation of provision of engineering consulting services to an engineering expert witness service provider since January 2018. The Group's revenue contributed from its foundation and site formation works and general building works and associated services remained relatively stable for the years ended 30 September 2017 and 2018.

Cost of sales

Cost of sales increased by approximately HK\$21.0 million, or 6.6%, from approximately HK\$318.4 million for the year ended 30 September 2017 to approximately HK\$339.4 million for the year ended 30 September 2018. Such increase was generally in line with the increase in revenue.

Gross profit and gross profit margin

Gross profit remained relatively stable at approximately HK\$40.1 million for the year ended 30 September 2018 as compared with approximately HK\$41.0 million for the year ended 30 September 2017. The Group's gross profit margin was approximately 11.4% and 10.6% for the years ended 30 September 2017 and 2018, respectively.

During the year ended 30 September 2018, the Group recorded a decrease in gross profit margins for other construction works (2017: 23.0%; 2018: 4.3%) and construction related consultancy services (2017: 59.0%; 2018: 39.8%), mainly because (i) the Group has undertaken a sizeable public sector soil nail installation project at relatively low gross profit margin with a view to bolster the job reference and enhance future business prospects in landslip preventive works; (ii) there was lesser work done for projects involving design and installation of rockfall/debris flow barriers which were of relatively high gross profit margin; (iii) the Group was engaged to provide design services in several building modification and property redevelopment consultancy projects which were relatively complex with higher gross profit margin during the year ended 30 September 2017; and (iv) the cessation of provision of engineering consultancy services to an engineering expert witness service provider since January 2018. Such decrease was partially offset by the increase in gross profit margins for foundation and site formation works (2017: 10.1%; 2018: 14.5%) and general building works and associated services (2017: 5.7%; 2018: 8.3%), primarily contributed by the school development project in Kowloon which was of higher profitability due to the complex geological conditions of the project site and the specific requirements of the employer.

Other income, gains and losses

The other income, gains and losses increased by approximately HK\$4.3 million from approximately HK\$0.6 million for the year ended 30 September 2017 to approximately HK\$4.9 million for the year ended 30 September 2018, primarily due to higher insurance compensation from insurers on employees' compensation claims.

Administrative and other operating expenses

The administrative and other operating expenses increased by approximately HK\$17.1 million, or 135.2%, from approximately HK\$12.7 million for the year ended 30 September 2017 to approximately HK\$29.8 million for the year ended 30 September 2018, mainly due to the increase in listing expenses incurred from approximately HK\$1.4 million for the year ended 30 September 2017 to approximately HK\$15.5 million for the year ended 30 September 2018.



Management Discussion and Analysis

Income tax expense

The income tax expense increased by approximately HK\$0.2 million, or 4.9%, from approximately HK\$4.9 million for the year ended 30 September 2017 to approximately HK\$5.1 million for the year ended 30 September 2018, primarily attributable to an increase in the taxable income as explained above. The effective income tax rate, being tax charged for the year divided by profit before tax, were approximately 17.0% and 33.7% for the years ended 30 September 2017 and 2018, respectively. Such increase was mainly due to the increase in the non-deductible listing expenses incurred.

Profit and total comprehensive income for the year

As a result of the foregoing, the profit for the year decreased by approximately HK\$13.9 million, or 57.9%, from approximately HK\$24.0 million for the year ended 30 September 2017 to approximately HK\$10.1 million for the year ended 30 September 2018. Setting aside the listing expenses, the Group's adjusted net profit for the year ended 30 September 2018 would be approximately HK\$25.6 million as compared with approximately HK\$25.4 million for the year ended 30 September 2017. The adjusted net profit margin (excluding the listing expenses) for the years ended 30 September 2017 and 2018 were approximately 7.1% and 6.7%, respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group's control. The Directors believe the more significant risks relating to the business are as follows:

- the Group's revenue mainly relies on successful tenders of or acceptance of its quotations for construction projects which are non-recurring in nature and any failure of the Group to secure projects from its existing customers and/or new customers in the future would affect the Group's business operation and financial results;
- a significant portion of the Group's revenue was generated from contracts awarded by a limited number of customers, and any significant decrease in the number of projects with the major customers may materially and adversely affect the Group's financial condition and operating results;
- the Group relies substantially on subcontractors to help to complete the projects;
- the Group depends on key management personnel with relevant knowledge, experience and expertise; and
- the Group determines the price of its quotation or tender based on the estimated time and costs to be involved in a project and the actual time and costs incurred may deviate from its estimate due to unexpected circumstances, thereby leading to cost overruns and adversely affecting the Group's operations and financial results.

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in the prospectus of the Company dated 28 September 2018 (the "**Prospectus**").

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that may cause a significant impact on the business and operation of the Group in the event of a material breach or non-compliance. During the year ended 30 September 2018, there was no material breach nor non-compliance with the applicable laws and regulations by the Group.

Management Discussion and Analysis

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's environmental, social and governance ("ESG") strategy and reporting, and is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met. The details of ESG performance of the Group are set out in the "Environmental, Social and Governance Report" section of this annual report.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

The Group maintains good relationships with its employees and certain policies have been implemented to ensure that its employees are provided with competitive remuneration, good welfare benefits and continuous professional training. The Group also maintains good relationships with its customers, suppliers and subcontractors, without whom the success in the Group's operation would be at risk. During the year ended 30 September 2018, there were no material disputes between the Group and its customers, suppliers, subcontractors and employees.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The shares of the Company were listed on the Main Board of the Stock Exchange on 16 October 2018. No listing proceeds from the Share Offer were available as at 30 September 2018. The Group is in its preliminary stage of implementing its business objectives and strategies as disclosed in the Prospectus and will strive to achieve the milestone events as stated in the Prospectus.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Company's shares were successfully listed on the Main Board of the Stock Exchange on 16 October 2018. There has been no change in the capital structure of the Group since then. The capital of the Group only comprises of ordinary shares.

The Group's operation and investments were financed principally by cash generated from its business operations and equity contribution from the shareholders.

As at 30 September 2018, the Group had net current assets of approximately HK\$88.5 million (2017: HK\$96.1 million) and cash and bank balances of approximately HK\$88.2 million (2017: HK\$101.2 million).

As at 30 September 2018, the Group's total equity attributable to owners of the Company amounted to approximately HK\$91.9 million (2017: HK\$95.3 million), and the Group's total debt comprising finance lease liabilities amounted to approximately HK\$2.2 million (2017: HK\$37,000). The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

GEARING RATIO

As at 30 September 2018, the gearing ratio of the Group, which is calculated as the total debt (summation of obligation under finance lease and amount due to a related party) divided by total equity, was approximately 2.4% (2017: 0.04%).



Management Discussion and Analysis

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year ended 30 September 2018, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures saved for those related to the corporate reorganisation (as detailed in the Prospectus).

Save as disclosed in the Prospectus and in this annual report, the Group did not have other plans for material investments or acquisition of capital assets as of 30 September 2018.

CHARGE ON GROUP ASSETS

As at 30 September 2018, the Group has pledged certain machinery with net book value amounted to approximately HK\$2.9 million (2017: Nil) under non-cancellable finance lease agreement.

As at 30 September 2018, the Group paid a cash collateral of approximately HK\$2,788,000 (2017: HK\$144,000) to the insurance companies for the issuance of surety bonds and are included in other receivables, deposits and prepayments.

FOREIGN EXCHANGE EXPOSURE

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. All of the Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CONTINGENT LIABILITIES

As at 30 September 2018, certain customers of construction contracts undertaken by the Group require the Group to issue guarantee for the performance of contract works in the form of surety bonds of approximately HK\$10,900,000 (2017: HK\$359,000). The executive Directors have provided guarantee to the insurance companies to secure certain surety bonds. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

CAPITAL COMMITMENTS

As at 30 September 2018, the Group did not have any material capital commitments (2017: Nil).

The Group is the lessee in respect of office premises and office equipment under operating leases. As at 30 September 2018, the Group's total future minimum lease payments under non-cancellable operating leases were approximately HK\$972,000 (2017: HK\$753,000).

Management Discussion and Analysis

SEGMENT INFORMATION

The Group's reportable and operating segments are as follows: (i) foundation and site formation works; (ii) general building works and associated services; (iii) other construction works; and (iv) construction related consultancy services. Details of the segmental information of the Group is disclosed in Note 5 to the consolidated financial statements of this annual report.

INFORMATION ON EMPLOYEES

As at 30 September 2018, the Group employed 41 employees (2017: 63 employees). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of training were provided to the employees.

For the year ended 30 September 2018, the total staff cost (including Directors' emoluments and mandatory provident funds contributions) amounted to approximately HK\$17.7 million (2017: HK\$26.9 million).

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 30 September 2018.

On 14 September 2018, members of the Group declared dividends of approximately HK\$15,064,000 to their then shareholder, of which approximately HK\$15,040,000 was set off against the amounts due from directors and approximately HK\$24,000 was settled by cash in September 2018 (2017: HK\$3,000,000).



Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Lau Chi Wang, B.B.S., J.P., (劉志宏) (“Dr. CW Lau”), aged 71, is the chairman of the Company (the “**Chairman**”) and an executive Director. Dr. CW Lau is responsible for overseeing the Group’s corporate governance, setting the corporate policy and supervising all matters at the Board level. Dr. CW Lau was appointed as a Director on 3 January 2018 and re-designated as the Chairman and an executive Director on 12 February 2018. Dr. CW Lau is currently a director of Fong On Construction Limited, Fong On Geotechnics Limited, Po Shing Construction Limited and James Lau & Associates Limited. Dr. CW Lau was appointed as a Justice of the Peace in July 2002 by the Chief Executive of Hong Kong. In July 2009, Dr. CW Lau was awarded the Bronze Bauhinia Star for his contribution to Hong Kong.

Dr. CW Lau has approximately 50 years of experience in construction, design and research in the field of civil engineering. Dr. CW Lau worked as a trainee designer in Redpath Dorman Long Limited from 1968 to 1971 with his last position held as a site engineer. He then re-joined Redpath Dorman Long Limited as a design engineer from 1972 to 1973. Dr. CW Lau subsequently worked as a research assistant in King’s College London from 1973 to 1976. He later worked as a soils engineer in the Buildings Ordinance Office (currently known as the Buildings Department) from 1977 to 1980. He then joined Wong & Ouyang (HK) Limited as an assistant chief structural engineer from 1980 to 1989 with his last position held as a chief civil engineer. Dr. CW Lau was a director of Wong & Ouyang (Civil – Structural Engineering) Limited.

Dr. CW Lau has been an authorised person, a registered structural engineer and a registered geotechnical engineer under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) since July 1983, December 1994 and April 2005, respectively. He has also been a chartered engineer of The Council of Engineering Institutions, a registered professional engineer (civil, structural and geotechnical) of Hong Kong Engineers Registration Board and a first class registered structural engineer approved by the National Administration Board of Architectural Registration since August 1972, May 1995 and March 2002, respectively. Dr. CW Lau was granted the qualification as a barrister by The Honourable Society of Gray’s Inn and was called to the Hong Kong Bar in July 1992 and September 1993, respectively.

Dr. CW Lau obtained a Higher Diploma in Structural Engineering from Hong Kong Technical College (currently known as The Hong Kong Polytechnic University) in July 1968. He later obtained a Master of Science in the Faculty of Technology from The Victoria University of Manchester (currently known as the University of Manchester) in December 1972. He then obtained a Doctor of Philosophy in Geotechnical Engineering from University of London in August 1977. He obtained a Master of Business Administration from The Chinese University of Hong Kong in December 1982. He subsequently completed a Bachelor of Laws and Master of Science in Financial Economics from the University of London in August 1985 and December 1994, respectively. He later obtained a Master of Laws from the University of Hong Kong in December 1999.

Dr. CW Lau is the brother of Mr. Lau Chi Ming and Dr. Lau Chi Keung.

Mr. Lau Chi Ming (劉志明) (“Mr. CM Lau”), aged 68, is the deputy chairman of the Company and an executive Director. Mr. CM Lau is responsible for carrying out all the duties of the Chairman in his absence. He was appointed as a Director on 3 January 2018 and re-designated as an executive Director on 12 February 2018. Mr. CM Lau is also a member of the remuneration committee of the Company (the “**Remuneration Committee**”). Mr. CM Lau is currently a director of Fong On Construction Limited, Fong On Geotechnics Limited, Po Shing Construction Limited and James Lau & Associates Limited.

Biographical Details of Directors and Senior Management

Mr. CM Lau has approximately 37 years of experience in engineering. Mr. CM Lau worked in American Engineering Corporation (Hong Kong) Limited from August 1981 to February 1985 with his last position held as a project engineer. He then worked as a senior HVAC engineer in Aoki Corporation from March 1985 to August 1987. He went on to work as a building services engineer in The Hong Kong Tuberculosis, Chest and Heart Diseases Association and the Architectural Services Department from September 1987 to October 1989 and November 1989 to April 1993, respectively.

Mr. CM Lau has been a member of The Chartered Institution of Building Services, a member of The Hong Kong Institution of Engineers and a chartered engineer of The Chartered Institution of Building Services Engineers since July 1984, January 1986 and January 1988, respectively. Mr. CM Lau has been a registered professional engineer (BSS) of Hong Kong Engineers Registration Board since November 2011.

Mr. CM Lau obtained a Bachelor of Science in Mechanical Engineering from the University of Leeds in July 1979. He then obtained a Master of Science in Management Science from Imperial College of Science and Technology (currently known as The Imperial College London) in January 1981.

Mr. CM Lau is the brother of Dr. CW Lau and Dr. Lau Chi Keung.

Dr. Lau Chi Keung (劉志強) (“Dr. CK Lau”), aged 63, is the chief executive officer of the Company (the “**Chief Executive Officer**”) and an executive Director. Dr. CK Lau is responsible for overseeing the Group’s operation, business development, human resources, finance and administration. Dr. CK Lau was appointed as a Director on 3 January 2018 and re-designated as the Chief Executive Officer and an executive Director on 12 February 2018. Dr. CK Lau is also a member of the nomination committee of the Company (the “**Nomination Committee**”). He is currently a director of Fong On Construction Limited, Fong On Geotechnics Limited, Po Shing Construction Limited and James Lau & Associates Limited.

Dr. CK Lau has approximately 40 years of experience in engineering. Dr. CK Lau worked as a graduate engineer in Ho Chung, Wallace Evans & Company Limited in August 1978 with his last position held as an engineer in 1984. He was then employed by WS Atkins (Services) Limited as a group engineer with his last position held as a senior group engineer and head of the soil-structure interaction group from May 1988 to August 1994. Dr. CK Lau worked as an adjunct professor in City University of Hong Kong from June 2006 to June 2012 and The Hong Kong Polytechnic University from April 2002 to March 2005. He has re-joined The Hong Kong Polytechnic University as an adjunct professor since March 2016. He has also been appointed as an adjunct associate professor of the University of Hong Kong since September 2018.

Dr. CK Lau has been a registered professional engineer (civil, geotechnical and structural) of Hong Kong Engineers Registration Board since October 1997. He has also been a registered structural engineer, an authorised person, a registered geotechnical engineer and a registered inspector under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) since August 1997, April 1998, May 2005 and November 2012, respectively. He has also been a first class registered structural engineer approved by the National Administration Board of Architectural Registration since June 2000. Dr. CK Lau has also been an arbitrator and a mediator of The Hong Kong Institution of Engineers, an accredited general mediator of Hong Kong Mediation Accreditation Association Limited and an accredited adjudicator of Hong Kong International Arbitration Centre since 2005, 2013 and 2015, respectively. He was admitted as a fellow of the Hong Kong Institute of Arbitrators in May 2018.

Dr. CK Lau obtained a Bachelor of Science in Civil and Structural Engineering from University College Cardiff (currently known as Cardiff University) in July 1978. He further obtained a Master of Philosophy in Soil Mechanics and a Doctor of Philosophy in Soil Mechanics from the University of Cambridge in December 1985 and May 1989, respectively.

Dr. CK Lau is the brother of Dr. CW Lau and Mr. CM Lau.



Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Bing Kwong Edward(梁秉綱)(“**Mr. Leung**”), aged 59, was appointed as an independent non-executive Director on 17 September 2018. He is also the chairman of the Nomination Committee and a member of each of the audit committee of the Company (the “**Audit Committee**”) and the Remuneration Committee. Mr. Leung is responsible for making independent judgement and advising on the issue of strategy, performance, resources and standard of conduct of the Group.

Mr. Leung worked as an assistant civil and a geotechnical engineer in Brickell, Moss and Partners, Consulting Civil & Geotechnical Engineers from 1982 to 1986. He then worked as a project engineer in P. Y. Leung & Associates Limited and Yolles Partnership from 1986 to 1988 and 1988 to 1992, respectively. Mr. Leung rejoined P. Y. Leung & Associates Limited in 1992 and has been a director since then.

Mr. Leung has been a professional engineer of the Association of Professional Engineers of Ontario and a registered professional engineer (civil) of Hong Kong Engineers Registration Board since July 1990 and November 2017, respectively. Mr. Leung has also been a registered structural engineer and an authorised person under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) since January 2015 and October 2015, respectively.

Mr. Leung obtained a Bachelor of Science in Civil Engineering from Queen’s University at Kingston in May 1982.

Mr. Pang Ka Hang (彭嘉恆) (“**Mr. Pang**”), aged 63, was appointed as an independent non-executive Director on 17 September 2018. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Pang is responsible for making independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Pang was the partner of Pang & Ma, Chartered Accountants from 1982 to 1987. He then worked as a president of Pang and Ma Limited from 1990 to 2017.

Mr. Pang has been a chartered accountant of The Institute of Chartered Accountants of Ontario and a member of the Hong Kong Society of Accountants (currently known as The Hong Kong Institute of Certified Public Accountants) since March 1980 and June 1982 respectively.

Mr. Pang obtained a Bachelor of Business Administration from Wilfrid Laurier University in October 1976.

Mr. Wong Chun Nam(黃鎮南), **B.B.S., J.P.**, (“**Mr. Duffy Wong**”), aged 65, was appointed as an independent non-executive Director on 17 September 2018. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Duffy Wong is responsible for making independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Duffy Wong was a partner of Ho, Wong & Wong, Solicitors & Notaries from April 1986 to March 2017 and has been a consultant since March 2017. Mr. Duffy Wong has served as an independent non-executive director of Water Oasis Group Limited (stock code: 1161), a company listed on the Main Board of the Stock Exchange since December 2001.

Biographical Details of Directors and Senior Management

Mr. Duffy Wong has been a solicitor in Hong Kong since 1982, a notary public since 1994, an associate and a fellow of the Institute of Chartered Secretaries and Administrators in the United Kingdom since 1980 and 1990, respectively. He has also been a fellow of the Hong Kong Institute of Chartered Secretaries since 1994. In addition, he has been a certified tax adviser of The Taxation Institute of Hong Kong since 2010 and an accredited general mediator of the Hong Kong International Arbitration Centre since 2011. He participates in many public services including being a Justice of the Peace, the chairman of the HKSAR Passports Appeal Board.

SENIOR MANAGEMENT

Mr. Wong Kai Wa (黃啟華) (“Mr. Wong”), aged 54, is the senior project manager of the Group. Mr. Wong first joined the Group as a project manager in July 2004 and was appointed as the senior project manager on 1 July 2014. He is primarily responsible for the overall management of the Group’s projects, operations and business development.

Prior to joining the Group, Mr. Wong worked as a foreman in Yau Lee Construction Company Limited from April 1986 to June 1994. Mr. Wong then worked as an assistant project manager in Ytong Hong Kong Limited from June 1994 to August 1997. He subsequently worked as a project manager in Fong On Construction & Engineering Company Limited from August 1997 to October 2003.

Mr. Wong was awarded a Certificate in Building Studies by Vocational Training Council in July 1993. He then obtained a Higher Certificate in Building Studies from Hong Kong Technical Colleges (currently known as Hong Kong Institute of Vocational Education) in July 1996. He later obtained a Professional Diploma in Construction Project Management from The University of Hong Kong, School of Professional and Continuing Education in July 2001. He then obtained a Bachelor of Science in Work Based Learning Studies (Construction Project Management) from Middlesex University in January 2004. He further obtained a Diploma in Occupational Health and Safety from Li Ka Shing Institute of Professional and Continuing Education of The Open University of Hong Kong in January 2005.

Mr. Mok Kwai Hing (莫桂興) (“Mr. Mok”), aged 53, is the senior project manager of the Group. Mr. Mok first joined the Group as a project manager in December 2003 and was appointed as the senior project manager on 1 January 2014. He is primarily responsible for the overall management of the Group’s projects, operations and business development.

Prior to joining the Group, Mr. Mok worked as an engineering draftsman in David S.K. Au & Associates Limited from October 1990 to April 1994. He then worked as a quantity surveyor in Hong Kong Dredging Limited from May 1994 to April 1996. He subsequently worked as a project manager in Fong On Construction & Engineering Company Limited from May 1996 to October 2003.

Mr. Mok was awarded a Certificate in Civil Engineering Studies by Vocational Training Council in July 1988. He further obtained a Higher Certificate in Civil Engineering from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1990.



Biographical Details of Directors and Senior Management

Mr. Fong Pak Tong (方百榮) (“**Mr. Fong**”), aged 51, is the chief engineer of the Group. Mr. Fong first joined the Group as a senior engineer in September 2003 and was appointed as the chief engineer on 1 September 2013. Mr. Fong is primarily responsible for the overall management of the Group’s projects, design and business development.

Prior to joining the Group, Mr. Fong worked as a graduate engineer in P&T Architects and Engineers Limited in August 1992 with his last position held as an assistant engineer in February 1996. He then worked as an engineer in Fong On Construction & Engineering Company Limited from May 1996 to August 2003.

Mr. Fong has been a member of The Hong Kong Institution of Engineers since February 1997. Mr. Fong has also been a registered professional engineer (structural) of Hong Kong Engineers Registration Board since March 1998.

Mr. Fong obtained a Bachelor of Engineer in Civil Engineering from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in October 1992. He further obtained a Master of Science in Engineering (Civil and Structural Engineering) from The University of Hong Kong in December 1999.

COMPANY SECRETARY

Ms. Yim Sau Ping (嚴秀屏) (“**Ms. Yim**”), aged 36, was appointed as the company secretary of the Group on 12 February 2018.

Prior to joining the Group, Ms. Yim worked for Boill Healthcare Holdings Limited (formerly known as Ngai Shun Holdings Limited) (stock code: 1246), a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), a company listed on the GEM of the Stock Exchange as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She has been a director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services, since October 2015. Ms. Yim is currently the company secretary of five companies listed on the Stock Exchange.

Ms. Yim obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2007. She has been a member and a fellow of the Hong Kong Institute of Certified Public Accountants since January 2010 and October 2017, respectively. She has accumulated more than 10 years of experience in accounting, auditing and financial management in international audit firm, financial institution and listed companies.

Corporate Governance Report

INTRODUCTION

The Company is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company has fully complied with the CG Code since the Listing Date up to the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code since the Listing Date up to the date of this report.

DIRECTORS’ RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company’s policies and practices on corporate governance.

Liability insurance for the Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive Directors along with other senior executives. They report periodically to the Board their work and business decisions.



Corporate Governance Report

Board Composition

The composition of the Board as at the date of this annual report is set out as follows:

Executive Directors

Dr. Lau Chi Wang (*Chairman*) (*appointed on 3 January 2018*) ^(Note 1)

Mr. Lau Chi Ming (*appointed on 3 January 2018*) ^(Note 2)

Dr. Lau Chi Keung (*Chief Executive Officer*) (*appointed on 3 January 2018*) ^(Note 3)

Independent non-executive Directors

Mr. Leung Bing Kwong Edward (*appointed on 17 September 2018*)

Mr. Pang Ka Hang (*appointed on 17 September 2018*)

Mr. Wong Chun Nam (*appointed on 17 September 2018*)

Biographical details of the Directors are set out in the “Biographical Details of the Directors and Senior Management” section on pages 10 to 14 of this annual report.

The proportion of independent non-executive Directors is higher than what is required by Rules 3.10(1) and (2), and 3.10A of the Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the board of directors. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group’s business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

Notes:

1. Dr. Lau Chi Wang was appointed as a Director on 3 January 2018 and re-designated as the Chairman and an executive Director on 12 February 2018.
2. Mr. Lau Chi Ming was appointed as a Director on 3 January 2018 and re-designated as an executive Director on 12 February 2018.
3. Dr. Lau Chi Keung was appointed as a Director on 3 January 2018 and re-designated as the Chief Executive Officer and an executive Director on 12 February 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Group’s strategies, performance and control, as well as ensure that the interests of all shareholders are considered. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company on 12 February 2018. The letters of appointment of each of the independent non-executive Directors are for an initial term of three years commencing from 16 October 2018. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the memorandum and articles of association of the Company and the applicable Listing Rules.



Corporate Governance Report

According to article 108 of the Company's memorandum and articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Article 112 of the Company's memorandum and articles of association provides that any Directors who are appointed to fill casual vacancies shall hold office only until the first general meeting of the Company after their appointment, and are subject to re-election by shareholders of the Company.

Each of Dr. CW Lau, Mr. CM Lau, Dr. CK Lau, Mr. Leung, Mr. Pang and Mr. Duffy Wong will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 18 March 2019. Dr. CW Lau, Mr. CM Lau, Dr. CK Lau, Mr. Leung, Mr. Pang and Mr. Duffy Wong, being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau as executive Directors, Mr. Leung, Mr. Pang and Mr. Duffy Wong as independent non-executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and not to be performed by the same individual to avoid power being concentrated in any one individual. Dr. CW Lau is the Chairman of the Board and Dr. CK Lau is the Chief Executive Officer of the Company.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

In compliance with the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that they keep abreast of the current requirements. All Directors attended a formal directors training session conducted by CFN Lawyers prior to the Listing. The training covered topics including the Listing Rules, the CG Code and the disclosure of inside information. The Group has also provided reading materials including the CG Code, the Inside Information Provision (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to all Directors to develop and refresh the Directors' knowledge and skills.

The Group continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, so as to ensure that the Directors are aware of their responsibilities and obligations as well as to maintain good corporate governance practices.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website at "www.hkexnews.hk" and the Company's website at "www.shingchiholdings.com". All Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.



Corporate Governance Report

The Board is responsible for performing the corporate governance duties set out in the CG Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provisions in the CG Code and disclosures in this annual report.

Remuneration Committee

The Remuneration Committee was established on 17 September 2018. The chairman of the Remuneration Committee is Mr. Duffy Wong, the independent non-executive Director, and other members include Mr. CM Lau, the executive Director, Mr. Leung and Mr. Pang, the independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of the Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of the Directors and senior management and considered that they are fair and reasonable during the year ended 30 September 2018. No Director nor any of his associates is involved in deciding his own remuneration.

Nomination Committee

The Nomination Committee was established on 17 September 2018. The chairman of the Nomination Committee is Mr. Leung, the independent non-executive Director, and other members include Dr. CK Lau, the Chief Executive Officer and an executive Director, Mr. Pang and Mr. Duffy Wong, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and make recommendations to the Board on appointment of new Directors. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity of the Board.

In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

Audit Committee

The Audit Committee was established on 17 September 2018. The chairman of the Audit Committee is Mr. Pang, the independent non-executive Director, and other members include Mr. Leung and Mr. Duffy Wong, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

Corporate Governance Report

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise. The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Group's consolidated financial statements for the year ended 30 September 2018 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 30 September 2018 comply with applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

Three Board meetings were held during the year ended 30 September 2018. The individual attendance record of the Board meetings are set out as follows:

	Board Meeting
	Number of Meetings Attended/Held
Executive Directors	
Dr. Lau Chi Wang	3/3
Mr. Lau Chi Ming	3/3
Dr. Lau Chi Keung	3/3
Independent non-executive Directors	
Mr. Leung Bing Kwong Edward	1/3
Mr. Pang Ka Hang	1/3
Mr. Wong Chun Nam	1/3

Other than the Board meetings held as disclosed above, for the year ended 30 September 2018, no general meeting, Audit Committee meeting, Remuneration Committee meeting and Nomination Committee meeting was held as the Company was newly listed on 16 October 2018.

Note: During the year ended 30 September 2018, two of the board meetings were held before the appointment of the independent non-executive Directors.



Corporate Governance Report

COMPANY SECRETARY

The company secretary of the Company (the “**Company Secretary**”) assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

The Company engages an external service provider, which assigned Ms. Yim as the Company Secretary. Ms. Yim possesses the necessary qualifications and experience, and is capable of performing the functions of the Company Secretary. Mr. CM Lau, an executive Director, is the primary contact person who Ms. Yim contacts.

For the year ended 30 September 2018, Ms. Yim undertook no less than 15 hours of relevant professional training to update her skill and knowledge. The biographical details of Ms. Yim are set out in the section headed “Biographical Details of the Directors and Senior Management” of this annual report.

INDEPENDENT AUDITORS’ REMUNERATION

During the year ended 30 September 2018, the remuneration paid or payable to the external auditors of the Company, HLB Hodgson Impey Cheng Limited, in respect of the audit and non-audit services were as follows:

Services rendered	Remuneration paid/payable HK\$’000
<hr/>	
Audit services	
– Annual audit services	900
Non-audit services	
– Acting as reporting accountants for the listing of the shares of the Company	1,200
– Providing tax advice on the Group’s taxation matters	170
– Tax compliance services for the Group in relation to the Hong Kong profits tax	34
	<hr/>
	2,304
	<hr/>

SHAREHOLDERS’ RIGHTS

As one of the measures to safeguard shareholders’ interest and rights, separate resolutions are proposed at shareholders’ meetings on each substantial issue, including the election of individual directors, for shareholders’ consideration and voting. All resolutions put forward at shareholders’ meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the Stock Exchange’s website and the Company’s website after the relevant shareholders’ meeting.

Corporate Governance Report

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid-up capital of the Company or by such shareholders who made the requisition (the “**Requisitionists**”) (as the case may be) pursuant to article 64 of the memorandum and articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company’s principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal place of business in Hong Kong.

Shareholders may send written enquiries or requests in respect of their rights to the Company’s principal business address in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group maintains an effective internal control and risk management system. It consists, in part, of organisational arrangements with defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures in order to safeguard the investment of the Company’s shareholders and the Group’s assets at all times.

The Directors acknowledge that they have overall responsibility for overseeing the Company’s internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;
- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;
- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment are performed or updated annually, and the results of risk assessment, evaluation and mitigation of each function or operation are documented in the Risk Registry to communicate to the Board and management for reviews.

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

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.



Corporate Governance Report

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 30 September 2018 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews were performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the year ended 30 September 2018 as required under code provision C.2.5 of the CG Code. The Audit Committee and the Board have considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditors in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

- (i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at "www.hkexnews.hk" and the Company's website at "www.shingchiholdings.com";
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information is made available on the Company's website;
- (iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management;
- (v) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

Since the Listing Date, there was no change to the Company's memorandum and articles of association.

Environmental, Social and Governance Report

ABOUT THE REPORT

This report is the first “Environmental, Social and Governance Report” (collectively the “**ESG Report**”) published by the Group, which discloses the Group’s measures and performance on sustainable development topics in a transparent and open manner, in order to increase stakeholders’ confidence and understanding on the Group.

REPORTING STANDARDS

The Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “**ESG Guide**”) of the Stock Exchange set out in Appendix 27 of the Listing Rules. The ESG Report provides a simplified overview on the environmental, social and governance performance of the Group. The information in the ESG Report is derived from the Group’s official documents and statistics, as well as the integration and summary of monitoring, management and operational information provided by the Group.

REPORTING YEAR

All the information in the ESG Report reflects the performance of the Group in environmental management and social responsibility from 1 October 2017 to 30 September 2018 (the “**Reporting Period**”). In the future, the Group will release an ESG Report annually for public review, in order to improve the transparency and responsibility of information disclosure.

REPORTING SCOPE

The Group is a construction contractor in Hong Kong principally providing (i) foundation and site formation works; (ii) general building works and associated services; (iii) other construction works; and (iv) construction related consultancy services in Hong Kong. The ESG Report covers the ESG performance of the headquarters in Hong Kong and several construction projects engaged in Hong Kong during the Reporting Period. After the comprehensive completion of data collection system and the Group’s deepening in its environmental, social and governance work, the Group has identified certain ESG issues relevant to the Group, which have been assessed by considering their materiality and importance to the Group’s principle activities, stakeholders as well as the Group. Those identified ESG issues and key performance indicators (“**KPIs**”) have been disclosed in the ESG Report.

STAKEHOLDER ENGAGEMENT

The Stock Exchange has set forth four principles for reporting in the ESG Guide: materiality, quantitative, balance and consistency, which should form the basis for preparing the ESG Report. As the Stock Exchange emphasises, stakeholder engagement is the method by which materiality is assessed. Through stakeholder engagement, companies can understand wide-ranging views and identify material environmental and social issues.

The Group believes that effective feedback from stakeholders not only contributes to comprehensive and impartial evaluation of its ESG performance, but also enables it to improve its performance based on the feedback. Therefore, the Group has engaged in open and regular communication with its stakeholder groups including shareholders, employees, customers, suppliers, subcontractors, government and the media. Over the years, the Group has continued to fine-tune its sustainability focus, addressing pressing issues. The table below shows how the Group communicates with key stakeholder groups and their respective concerns.



Environmental, Social and Governance Report

Stakeholders and Engagement Methods

Stakeholder	Interests and concerns	Engagement channels
Shareholders and investors	<ul style="list-style-type: none"> • Return on investment • Corporate strategy and governance • Risk mitigation and management 	<ul style="list-style-type: none"> • Annual general meeting • Interim and annual reports, corporate websites • Announcements, notices of meetings, circulars
Customers	<ul style="list-style-type: none"> • Robust project management • Full compliance with regulations • Sustainability performance of operations 	<ul style="list-style-type: none"> • Interim and annual reports, corporate websites • Regular meetings and communication
Employees	<ul style="list-style-type: none"> • Compensation and benefits • Occupational health and safety • Career development opportunities • Corporate culture and wellbeing 	<ul style="list-style-type: none"> • Provide leisure activities and increase cohesion • In-house training programmes • Performance reviews and appraisals • Promote career development and enhance competence at all levels
Subcontractors	<ul style="list-style-type: none"> • Effective project management • Occupational health and safety • Ethical business practices • Sub-contractors assessment criteria 	<ul style="list-style-type: none"> • Annual health, safety and environment seminars • Training sessions • Regular progress meetings • Audits and assessments
Suppliers	<ul style="list-style-type: none"> • Long-term partnership • Ethical business practices • Supplier assessment criteria 	<ul style="list-style-type: none"> • Procurement processes • Audits and assessments

The business of the Group affects different stakeholders, and stakeholders have different expectations on the Group. The Group will maintain communication with stakeholders continuously, collect opinions from stakeholders through different forms and more extensively, and make substantive analysis more comprehensively. At the same time, the Group will enhance the reporting principles of quantification, balance and consistency, in order to define the content of the ESG Report and presentation of the information that is more in line with the expectations of stakeholders.

ENVIRONMENTAL PROTECTION

Emissions

Emissions from vehicle usage and air travel

During the Group's operation, the usage of private cars generates the emission of nitrogen oxides ("NOx"), sulphur oxides ("SOx") and particulate matters ("PM"). Also, the use of electricity in office and construction sites generate carbon dioxides ("CO₂"). The approximate amount of CO₂, NOx, SOx and particulate produced from the Group's operation in Hong Kong are shown in the following table:

Environmental, Social and Governance Report

Environmental Key Performance Indicators

Types of Cars	Number of Cars
Private Cars	6
Light goods vehicles (3.5-5.5 tonnes)	1

Air Emission	Volume (Tonnes)
CO ₂ emission	
Scope 2 – energy indirect emission – generated from the use of electricity in office and construction sites	65.32
Scope 3 – other indirect emissions – paper waste disposed at landfills	7.90
– other indirect emissions – electricity for processing fresh water and sewage	1.09
NO _x emission	0.03
SO _x emission	0.0001
PM emission	0.002

In respect of reducing nitrogen oxides, sulphur oxides and particulate matters emissions, the Group has formulated and educated employees about the following measures so as to achieve the environmental friendly approach including (i) avoid peak hour traffic and (ii) encourage the use of public transport instead of private car.

During the Reporting Period, the Group was not aware of any material non-compliance with the environmental laws and regulations in respect of both emissions from the course of operation and vehicle usage.

Hazardous solid waste emission

For the provision of foundation and site formation works, the Group has produced some non-hazardous waste during the operation. The emission figures are as follows:

Environmental Key Performance Indicators

Non-hazardous waste	Volume (Tonnes)
Mixed construction waste disposal at Government Waste Disposal Facilities	658.15

The Group is dedicated to proper management of the non-hazardous solid waste. Specific area at the site is assigned for the temporary storage of non-hazardous waste. The waste is then gathered by logistic service provider which is authorised by the Environmental Protection Department of the Government and delivered to the public landfills.

USE OF RESOURCES

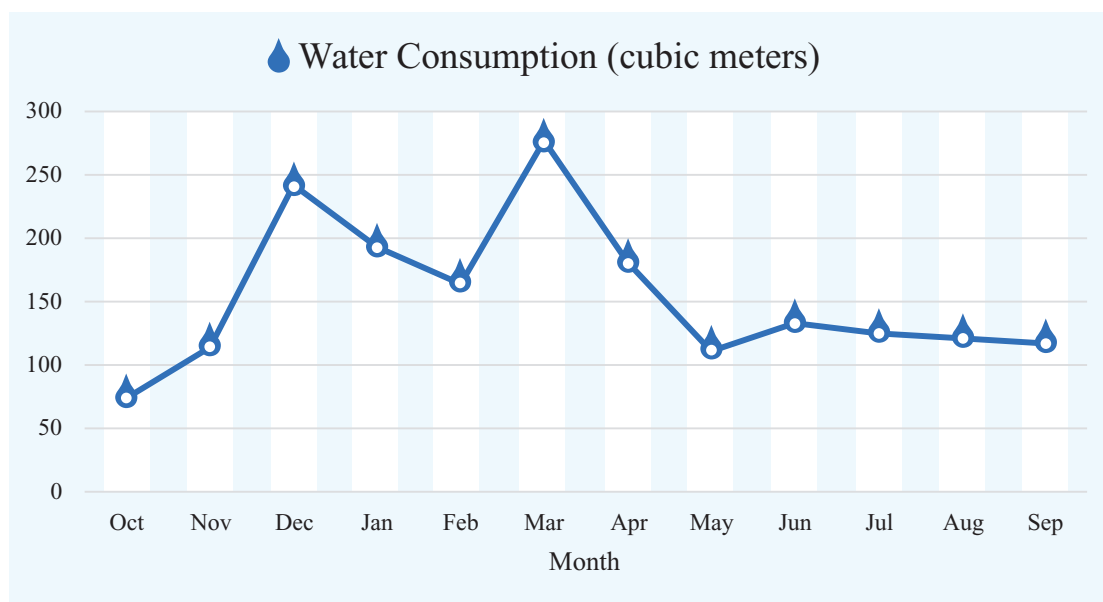
The Group adheres to the concept of energy conservation and emission reduction for green production. The major resources used by the Group are principally electricity and water consumed in the Group's headquarter and various project sites in Hong Kong. The Group aims to improve its energy utilisation efficiency to achieve low-carbon practices and emission reduction throughout the operation, and strive to save the resources.



Environmental, Social and Governance Report

The Group records and analyses the water consumption regularly. After identifying the causes of high rates of water consumption, the Group will take remedial action to minimise water use. The following table sets forth the monthly water consumption in cubic meters of the Group:

Water Consumption by Months



The total water consumption in cubic meters by region during the Reporting Period is shown in the following table:

Water Consumption by Region

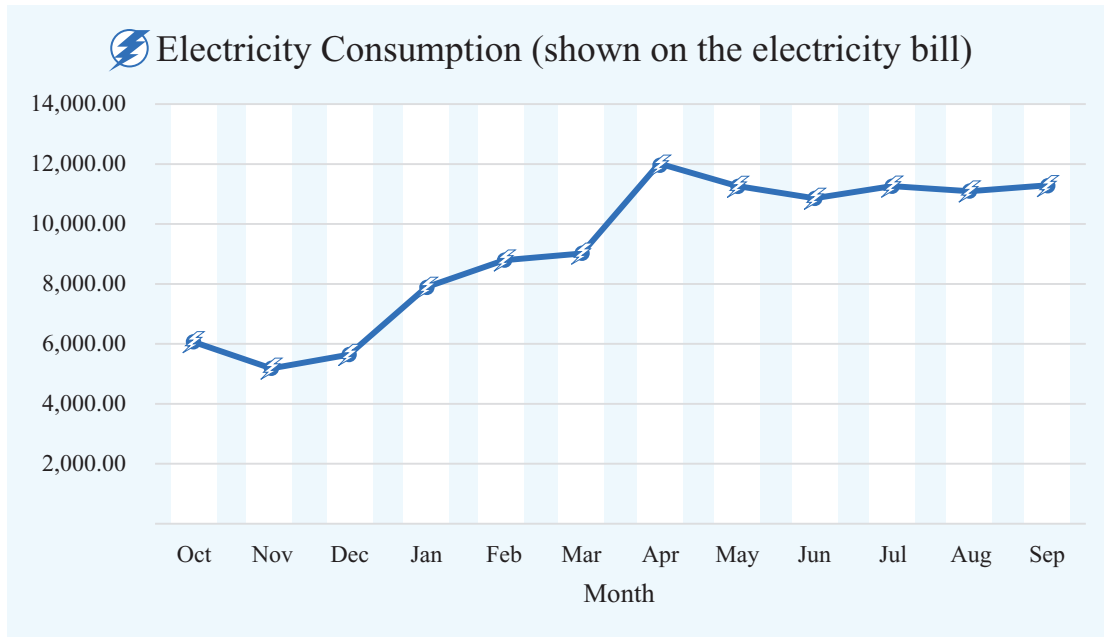
Region	Water consumption (cubic metres)	Intensity of water consumption per number of employees (cubic metres)
Hong Kong	1,852	45.17

The Group determines to maximise energy conservation in its office by promoting efficient use of power and adopting green technologies. For instance, the Group continues to upgrade equipment such as purchasing electrical appliances with high efficient energy label, lighting and air-conditioning systems in order to increase energy efficiency. Air-conditioning systems can be adjusted to a specific temperature, which allows the users to set at a comfortable temperature and avoid power waste.

Environmental, Social and Governance Report

To identify energy saving opportunities, the Group measures and records the energy consumption level from time to time. The monthly electricity consumption in kilowatt hour (Kwh) is shown below:

Electricity Consumption by Months



The total electricity consumption in kilo watt hour by region is shown in the following table:

Electricity Consumption by Region

<u>Region</u>	<u>Electricity consumption (kwh)</u>	<u>Intensity of electricity consumption per number of employees (kwh)</u>
Hong Kong	110,392	2,692.49

The Environment and Natural Resources

To develop a green approach at the project sites and office, the Group has set up various environmental system management practices as part of its effort to develop an environmental management system that supports sustainable development.

By the implementation of ISO9001 Quality Management System, the Group has given careful consideration to minimise all significant impact on the environment and natural resources. Environmental performance is monitored regularly.



Environmental, Social and Governance Report

Implemented practice

- Switch off computers, printers, machines and other electronic devices after office hours or when leaving the workplace to reduce power consumption
- Maximise the use of natural light and energy-saving lighting systems
- Apply optimal temperature setting of air-conditioning
- Encourage duplex printing
- Reuse of single-side used paper

As a socially responsible enterprise, protecting nature and the environment has become an integral part of the Group's corporate culture/important value, the Group constantly looks for ways to maximise benefits with minimal resource consumption and environmental impact, and continue to strive for sustainable development.

PEOPLE

Employment

The Group reckons that employees are the most valuable assets of an enterprise and also the cornerstone for sustaining corporate development. It is always the Group's initiative to provide a fair and competitive compensation package to attract and retain quality talents, in the form of basic salary, incentives bonus, mandatory provident fund, and other fringe benefits. Remuneration packages are reviewed periodically. The Group also has a set of comprehensive human resources management policy to support human resources function. The policies include compensation and benefits, working hours and holidays, recruitment and selection, performance management, promotion, employment termination, training and development.

As the Group is principally engaged in construction related works, manual work is generally required in most positions. Hence, the ratio of the number of male to female employees is approximately 3.5 to 1. However, the Group aims to refrain from any form of harassment and discrimination with respect to age, gender, race, nationality, religion, marital status or disability in the workplace via implementation of human resources management policy. The above measures have helped ensuring that every employee is treated equally and fairly.

The Group has always strictly observed the relevant legislations in Hong Kong regarding equal employment opportunities, child labour and forced labour. The Group abides by the employment regulations, relevant policies and guidance of the relevant jurisdictions where it operates, including the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Chapter 59Z of the Laws of Hong Kong) etc. in Hong Kong.

The Group has its internal procedures to record employees' information in order to review employment practices regularly so as to avoid any non-compliance. Furthermore, the Group strictly complies with the internal recruitment process during recruitment to ensure there is no employment of child labour or forced labour in any form.

The Group also strives to establish harmonious labour relationships and create a happy working environment, promote a positive and healthy lifestyle, and lift the spirit of local workforce, encourage and strengthen internal communication through organising diversified employee activities, including but not limited to annual dinner with lucky draw, company dinner during Chinese Winter Solstice Festival, Christmas dinner and Sai Kung Autumn Trip.

Environmental, Social and Governance Report



Sai Kung Autumn Trip



Annual dinner lucky draw winner



Environmental, Social and Governance Report



Christmas dinner



Chinese winter solstice festival dinner

During the Reporting Period, the Group was not aware of any material non-compliance with relevant standards, rules and regulations regarding operations and activities or labour practices.

Environmental, Social and Governance Report

Employment Key Performance Indicators (Employee)

Total Workforce Structure as at 30 September 2018

Gender	Age below 30	Age 30-50	Age over 50	Number of employees by gender	Total number of employees	Ratio of number of male to female employees
Male	9	12	11	32	41	3.5:1
Female	3	4	2	9		

Employee Recruited in the Reporting Period

Gender	Age below 30	Age 30-50	Age over 50	Number of new recruits by gender	Total number of new recruits	Percentage of new recruits to total number of employees
Male	2	3	1	6	8	20%
Female	1	1	0	2		

Employee Turnover in the Reporting Period (excluding direct labour)

Gender	Age below 30	Age 30-50	Age over 50	Staff turnover by gender	Total staff turnover	Ratio of employee turnover to total number of employees
Male	1	0	0	1	1	4%
Female	0	0	0	0		

Health and Safety

The Company is an investment holding company incorporated in the Cayman Islands whilst its headquarter is located in Hong Kong. The nature of its daily operation is mainly office-based where the safety risk is limited. The Hong Kong headquarter has been equipped with fire-fighting facilities including fire extinguishers and participates in the fire drill organised by the building management regularly.

The Group requires employees to strictly comply with the company's safety policy and guidelines which clearly specify work flows, all kinds of safety measures and guidance as well as employees' responsibilities for their health and safety at the workplace.

The Group has established a risk assessment program that consists of a number of sequential steps such as risk identification, analysis, evaluation, treatment, monitoring and reviewing based on the existing controls and recommendations to reduce those risks which are not deemed to be under acceptable limits.



Environmental, Social and Governance Report

For employees whose work station is mainly project site, the Group provides “site specific induction training” to the employees before they commence their work at the project site in accordance with the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) and the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong). Thereafter, they are given refresher talks regularly depending on the amount of changes to the site condition. The Group also provides tool-box talks, aiming to heighten employees’ awareness of workplace hazards and the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong).

Every case of injury (if any) is required to be reported to the Group and be assessed individually under the internal guideline procedures set. Subsequently, the Group follows the procedures in accordance with the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). The Group is pleased to report that the rate of accidents and injuries during the Reporting Period was extremely low with zero fatal accident.

During the Reporting Period, the Group was not aware of any material non-compliance with the health and safety laws and regulations.

Health and Safety Key Performance Indicators (Employee)

Number of work injuries	Rate of work injury (per thousand employees)
2	28.57

Trainings and Development

The Group recognises the importance of skilled and professionally trained employees to its business growth and future success. Therefore, the Group encourages them to participate in personal development and job-related training courses. During the Reporting Period, the Group formulates quality management training programs to update its staff with the most updated standard of ISO9001, in order to maintain the highest standard of professionalism by its employees. This program includes quality assurance training in operation process and inspection assurance of materials received from supplier.

In daily operation, the Group provides induction training for new employees, experienced employees act as mentors to guide new comers. The Group believes such arrangement can be the best practice to facilitate communication and team spirit, as well as to improve technical skills and managerial capability and encourage learning and further development of employees at all levels.

The Group will continue to intensify its efforts to promote staff training programs which the Group believes that by means of offering comprehensive training opportunities, it could help providing the necessary protection for talent reserves for corporate development. The Group evaluates the training needs of its employees annually to ensure that employees are offered suitable and appropriate training according to their job nature and position.

Training and Development Key Performance Indicators (Employee)

Trained staff	Managerial level or above	Supervisory staff	General staff	Percentage of employees receiving training by gender	Overall percentage of employees receiving training
Male	43%	100%	83%	78%	80%
Female	100%	67%	100%	89%	

Environmental, Social and Governance Report

<u>Average training hours</u>	<u>Managerial level or above</u>	<u>Supervisory staff</u>	<u>General staff</u>	<u>Average training hours by gender</u>	<u>Overall average training hour</u>
Male	1 hour	9 hours	10 hours	8 hours	7 hours
Female	3 hours	1 hour	3 hours	2 hours	

Labour Standards

The Group always respects and strictly complies with all applicable national laws and local regulations as well as relevant labour laws and regulations in the place where it operates, including the Policy of Employment of Children under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The Group has also developed rigorous and systematic measures for recruitment and selection, to prevent itself from illegally hiring child labour and ensure that the employment is in compliance with relevant laws and regulations.

The Group arranges for the employees' working hours based on the statutory working hour standards and entitles them to paid leaves and sick leaves in accordance with the relevant labour laws in Hong Kong.

During the Reporting Period, the Group was not aware of any material non-compliance with the labour requirements set out in relevant laws and regulations.

Supply Chain Management

The Group implements supplier management in accordance with internal guidance which governs the engagement of suppliers. Suppliers are chosen subjecting to screening and evaluation procedures among the suppliers, based on the quality and price. Also, to ensure suppliers' capability in quality assurance, safety and environmental responsibility, field visit and investigation is conducted, which includes a comprehensive quality management system accredited with the ISO9001 standard. The investigation reviews the production capacity, technology level, quality assurance capabilities, supply capacity, safety and environment management qualifications if needed. Only the highly qualified suppliers complied with regulatory requirements are eligible for the supplier selection by the Group. The Group also carries out regular assessment on suppliers' overall capabilities, assets position, nature of business, reputation in the industry, quality of products, goods delivery and compliance with law and regulations.

As customers are becoming more concerned about environmental issues and stress the importance of using environmentally friendly materials, the Group will continue to act as a corporate citizen in communicating and stressing those environmental issues to our suppliers.

Each subcontractor and supplier is reviewed after completion of their contracts. In case of major non-performance of approved subcontractor or supplier, the Group will review their suitability to remain on the approved list.



Environmental, Social and Governance Report

Product and Service Responsibility

The Group is committed to providing high-quality services and guarantees that the quality of the Group's projects is in line with industry standards and sustainability requirements. The Group also pursues to meet higher criteria all the time.

The Group has always been focusing on quality control in construction projects since its incorporation. In respect of human resources, the Group has a team of project managers with rich experience in undertaking various construction projects. In respect of systems, the Group owns a quality management system in accordance with the ISO9001 standard, which establishes the procedure to manage the non-conformity detected during construction process. When non-conforming work is identified, the Group will review the situation and stop these substandard works from continuing or re-occurring. If the defect is likely to recur, the Group will require remedial action by the subcontractor and shall more closely supervise these works whenever practicable. The Group also carries out trainings and has established a management system covering various aspects including management of quality of construction staff, quality control on raw material, site management and quality management system, so as to ensure the timely and efficient completion of our projects.

Anti-corruption

The Group is committed to maintaining the integrity of its corporate culture. Staff members are not allowed to solicit or accept any advantages. The Group sets out the relevant policies in the employee handbook and guides the employees to abide by the code of conduct. The code of conduct provides a clear definition of the provision and acceptance of interests, such as gifts and souvenirs, and ways to deal with conflicts of interest.

Directors and employees are required to make a declaration to the management through the reporting channels when actual or potential conflict of interest arises. Employees cannot receive any gifts from any external parties (i.e. customers, suppliers, contractors, etc.) unless approval is obtained from the management.

The Group has whistle-blowing procedures in effect, encouraging the employees to report directly to the chairman of the Audit Committee for any misconduct and dishonest behaviour, such as bribery, fraud and other offences. Furthermore, the Group has specified in the employee handbook that the Group is entitled to terminate the employment contract with any employee who is bribed with money, gifts or commission, etc., and reserves the right to take further actions against such person.

During the Reporting Period, the Group complied with the relevant laws and regulations regarding anti-corruption and money-laundering and had no concluded legal case regarding corrupt practices brought against the issuer or its employees.

Community Investment

The Group understands well of the importance for making positive contribution to the community where it operates and considers community benefits as one of its social responsibility. The Group considers that enterprises and communities are inseparable as a whole. Enterprise development has played a leading role in the economic and social development of the community, such as providing employment opportunities and increasing taxes. At the same time, enterprise development is also inseparable from community's support and help. In order to better fulfil its social responsibilities, the Group is very concerned about environmental and health issues and sponsors relevant activities or organisations when necessary.

Environmental, Social and Governance Report

The Group has made a donation to Good Hope School for the walkathon organised by the school during the Reporting Period to act as a support to the event. Good Hope School is a Christian school that provides primary and secondary education services to the students which put special emphasis on the Christian values of Love, Hope, Joy and Thanksgiving.

The Group will continue to explore other means to contribute more to the community and strive to facilitate the building of a healthy and sustainable society.

Environmental performance indicators are summarised in the following tables:

Environmental performance indicators

Aspect A1: Emissions

Performance indicator	2017/18 Data	The Stock Exchange ESG Reporting Guide KPI	
Emission	Total nitrogen oxides (NOx) emission (g)	32,551.29	KPI A1.1
	Total particulate matters (PM) emission (g)	1,572.61	KPI A1.1
	Total sulphur oxides (SOx) emission (g)	97.19	KPI A1.1
	Total sewage discharge (cubic meters)	1,852	KPI A1.1
	Total CO ₂ generated equivalent emission (ton)	74.31	KPI A1.2
Non-hazardous waste	Total mixed construction waste disposal at Government Waste Disposal Facilities (ton)	658.15	KPI A1.4

Aspect A2: Use of resources

Performance indicator	2017/18 Data	The Stock Exchange ESG Reporting Guide KPI	
Electricity	Total Electricity consumption (Kwh)	110,392	KPI A2.1
Water	Total Water consumption (cubic meters)	1,852	KPI A2.2

Social performance indicators

Aspect B1: Employees

Performance indicator	2017/18 Data	The Stock Exchange ESG Reporting Guide KPI
Employee recruit	Gender:	KPI B1.1
	– Male employees (per person)	6
	– Female employees (per person)	2
Number of employees	Type of Employee	KPI B1.1
	– Senior management (per person)	9
	– Middle management (per person)	17
	– General staff (per person)	15



Environmental, Social and Governance Report

Aspect B1: Employees

Performance indicator	2017/18 Data	The Stock Exchange ESG Reporting Guide KPI
Age		KPI B1.1
– Below 30 years old	12	
– Between 30 to 50 years old	16	
– Over 50 years old	13	
Region		KPI B1.1
– Hong Kong	41	
Employee turnover		KPI B1.2
Gender		KPI B1.2
– Male employees (per person)	1	
– Female (per person)	0	
Age		KPI B1.2
– Below 30 years old	1	
– Between 30 to 50 years old	0	
– Over 50 years old	0	
Region		KPI B1.2
– Hong Kong	1	

Aspect B2: Health and safety

Performance indicator	2017/18 Data	The Stock Exchange ESG Reporting Guide KPI
Number of work injuries (per person)	2	KPI B2.1
Rate of work injury (per hundred employees)	28.57	KPI B2.1

Aspect B3: Development and training

Performance indicator	2017/18 Data	The Stock Exchange ESG Reporting Guide KPI
The percentage of employees trained		KPI B3.1
Percentage of employees receiving training by gender		
– Male employees (percentage)	78%	
– Female (percentage)	89%	
Total number of staff receiving training by type of employee		KPI B3.1
– Senior management (per person)	5	
– Middle management (per person)	9	
– General staff (per person)	19	
Average training hours completed per employee		KPI B3.2
Average training hours by gender		
– Male employees (hours)	8	
– Female (hours)	2	
Total training hours by type of employee		KPI B3.2
– Senior management (hours)	15	
– Middle management (hours)	65	
– General staff (hours)	197	

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 30 September 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the provision of (i) foundation and site formation works; (ii) general building works and associated services; (iii) other construction works; and (iv) construction related consultancy services in Hong Kong. Details of the principal activities of its subsidiaries are set out in Note 12 to the consolidated financial statements of this annual report. There were no significant changes in the nature of the Group's principal activities during the year.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 3 January 2018 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. In preparation for the Listing, the companies now comprising the Group underwent the corporate reorganisation (the “**Reorganisation**”) pursuant to which the Company became the holding company of the Group on 17 September 2018. For details of the Reorganisation, please refer to the section headed “History, Development and Reorganisation” in the Prospectus.

The Company's shares have been listed on the Stock Exchange since 16 October 2018.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 30 September 2018 and the state of affairs of the Company and of the Group as at 30 September 2018 are set out in the consolidated statement of profit and loss and other comprehensive income, Note 31 to the consolidated financial statements, and the consolidated statement of financial position, respectively, on pages 50 to 103 of this annual report.

On 14 September 2018, members of the Group declared dividends of approximately HK\$15,064,000 to their then shareholder, of which approximately HK\$15,040,000 was set off against the amounts due from directors and approximately HK\$24,000 was settled by cash in September 2018. The Directors do not recommend the payment of any final dividend for the year ended 30 September 2018.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on 18 March 2019 (the “**AGM**”). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 13 March 2019 to 18 March 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 12 March 2019.

BUSINESS REVIEW

The review of the business of the Group during the year ended 30 September 2018 and the discussion on the Group's future business development are set out in the sections headed “Chairman's Statement” and “Management Discussion and Analysis” of this annual report. The description of principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed “Management Discussion and Analysis”. The financial risk management objectives and policies of the Group are set out in Note 3 to the consolidated financial statements of this annual report. Save for the Listing, no important event affecting the Group has occurred since the end of the financial year ended 30 September 2018 and up to the date of this annual report.



Directors' Report

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for each of the four financial years ended 30 September is set out on page 104 of this annual report. Such summary does not form part of the audited consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 30 September 2018 are set out in Note 14 to the consolidated financial statements of this annual report.

DONATION

Charitable donations made by the Group during the year ended 30 September 2018 amounted to approximately HK\$2,000 (2017: HK\$11,000).

SHARE CAPITAL

Details of the Company's share capital is set out in Note 21 to the consolidated financial statements of this annual report.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally adopted on 17 September 2018. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus.

During the year ended 30 September 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in Note 31 to the consolidated financial statements of this annual report and in the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

CONNECTED AND RELATED PARTY TRANSACTIONS

As disclosed in the Prospectus, upon the Listing, a non-exempt continuing connected transaction has been entered into and will continue to be carried out between the Group and Hip Shing Construction & Engineering Limited ("**Hip Shing**"). Details of which are set out below:

Directors' Report

Hip Shing Framework Agreement

On 10 September 2018, Po Shing Construction Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with Hip Shing (the “**Hip Shing Framework Agreement**”) for a term from the Listing Date and ending on 30 September 2019, pursuant to which Hip Shing has agreed to provide project management services in the capacity of a subcontractor, for the purposes of allowing the Group to deliver project management services efficiently and effectively.

Hip Shing is a construction and engineering contractor and consultant in Hong Kong. Hip Shing is a company owned as to approximately 33.3% and 66.7% by Mr. Lee Yung Ling Christopher (“**Mr. Christopher Lee**”) and Ms. Leung Siu Lan Teresa (the spouse of Mr. Christopher Lee), respectively. As Mr. Christopher Lee was a director of Po Shing Construction Limited from January 2004 to December 2017, Hip Shing is therefore a connected person of the Company at the subsidiary level under the Listing Rules until December 2018.

As Hip Shing is a connected person under Chapter 14A of the Listing Rules, the transactions contemplated under the Hip Shing Framework Agreement will constitute continuing connected transactions for the Company under the Listing Rules after Listing. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules. For the year ended 30 September 2018, subcontracting fees incurred by the Group to Hip Shing amounted to approximately HK\$5.5 million.

The Directors, including the independent non-executive Directors, consider that the continuing connected transactions above and the annual caps are fair and reasonable, and that such transactions have been entered into and will be carried out in the ordinary and usual course of the business of the Group, on normal commercial terms, are fair and reasonable, and in the interests of the Group and holder(s) of the Share(s) (the “**Shareholder(s)**”) as a whole.

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Save for the subcontracting fee to Hip Shing, the related party transactions as disclosed in Note 28 to the consolidated financial statements of this annual report did not constitute connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules as such transactions were all ceased or completed prior to the Listing.

Save as disclosed in this annual report, during the year ended 30 September 2018, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DISTRIBUTABLE RESERVES

The Company is an investment holding company incorporated on 3 January 2018 and has not carried out any business since the date of incorporation. The shares of the Company were listed on the Stock Exchange on 16 October 2018. Accordingly, the Company did not have any distributable reserve available for distribution to the shareholders as at 30 September 2018. Further details of the Company's distributable reserve as at 30 September 2018 are set out in Note 31 to the consolidated financial statements of this annual report.



Directors' Report

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

During the year ended 30 September 2018, the percentage of the Group's aggregate turnover attributable to the Group's largest customer was approximately 31.6%, while the percentage of the Group's total turnover attributable to the five largest customers in aggregate was approximately 78.1%.

During the year ended 30 September 2018, the percentage of the Group's largest supplier was approximately 2.2% of the total cost of sales for the year, while the percentage of the Group's five largest suppliers accounted for approximately 6.2% of the total cost of sales.

During the year ended 30 September 2018, the percentage of the Group's largest subcontractor was approximately 14.1% of the total cost of sales for the year, while the percentage of the Group's five largest subcontractors accounted for approximately 40.3% of the total cost of sales.

None of the Directors, or any of their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers or subcontractors.

DIRECTORS

The Directors during the year ended 30 September 2018 and up to the date of this annual report were as follows:

Executive Directors

Dr. Lau Chi Wang (*Chairman*) (*appointed on 3 January 2018*) ^{Note 1}

Mr. Lau Chi Ming (*appointed on 3 January 2018*) ^{Note 2}

Dr. Lau Chi Keung (*Chief Executive Officer*) (*appointed on 3 January 2018*) ^{Note 3}

Independent non-executive Directors

Mr. Leung Bing Kwong Edward (*appointed on 17 September 2018*)

Mr. Pang Ka Hang (*appointed on 17 September 2018*)

Mr. Wong Chun Nam (*appointed on 17 September 2018*)

In accordance with the Company's memorandum and articles of association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Notes:

1. Dr. Lau Chi Wang was appointed as a Director on 3 January 2018 and re-designated as the Chairman and an executive Director on 12 February 2018.
2. Mr. Lau Chi Ming was appointed as a Director on 3 January 2018 and re-designated as an executive Director on 12 February 2018.
3. Dr. Lau Chi Keung was appointed as a Director on 3 January 2018 and re-designated as the Chief Executive Officer and an executive Director on 12 February 2018.



Directors' Report

PERMITTED INDEMNITY PROVISION

Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company and/or any of its subsidiaries, which is not terminable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and senior management and the five highest paid individuals of the Group are set out in Note 9 to the consolidated financial statements of this annual report.

The remuneration of the senior management of the Group for the year ended 30 September 2018 falls within the following band:

Remuneration Band	Number of senior management
Up to HK\$1,000,000	2
HK\$1,000,001 to up to HK\$1,500,000	1

EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes discretionary bonus and other merit payments), considering other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and the senior management) and review the remuneration policy of the Group. It has been decided that the Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and the senior management.

RETIREMENT BENEFITS PLANS

Details of retirement benefits plans of the Group as at 30 September 2018 are set out in Note 8 to the consolidated financial statements of this annual report.



Directors' Report

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the Prospectus and in this annual report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders (the "Controlling Shareholders") or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or their subsidiaries, during the year ended 30 September 2018.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in Note 28 to the consolidated financial statements of this annual report, no Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

As at 30 September 2018, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" below, at no time during the year ended 30 September 2018 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

The shares of the Company were listed on the Stock Exchange on 16 October 2018 and therefore, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), Section 352 of the SFO and the Model Code were not applicable as at 30 September 2018.

As at the date of this annual report, the following Directors and chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules:

Directors' Report

Long positions in Shares and underlying Shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares held/interested	Percentage of shareholding
Dr. CW Lau (<i>Note</i>)	Interest of a controlled corporation	600,000,000	75%
Mr. CM Lau (<i>Note</i>)	Interest of a controlled corporation	600,000,000	75%
Dr. CK Lau (<i>Note</i>)	Interest of a controlled corporation	600,000,000	75%

Note: Elite Bright Developments Limited (“Elite Bright”) is 100% owned by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau in equal shares. Therefore, Dr. CW Lau, Mr. CM Lau and Dr. CK Lau are deemed to be, or taken to be, interested in all the shares of the Company held by Elite Bright for the purpose of the SFO.

Save as disclosed above, as at the date of this annual report, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2018, the shares of the Company were not listed on the Stock Exchange. Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable.

So far as is known to the Directors, as at the date of this annual report, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares held/interested	Percentage of shareholding
Elite Bright	Beneficial Owner	600,000,000	75%
Ms. Ng Lai Mui Theresa (<i>Note 1</i>)	Interest of spouse	600,000,000	75%
Ms. Ng Kooi Har (<i>Note 2</i>)	Interest of spouse	600,000,000	75%
Ms. Kwong Shun Man Jessie (<i>Note 3</i>)	Interest of spouse	600,000,000	75%

Notes:

- (1) Ms. Ng Lai Mui Theresa is the spouse of Dr. CW Lau. Therefore, Ms. Ng Lai Mui Theresa is deemed to be, or taken to be, interested in the same number of shares of the Company in which Dr. CW Lau is interested for the purpose of the SFO.
- (2) Ms. Ng Kooi Har is the spouse of Mr. CM Lau. Therefore, Ms. Ng Kooi Har is deemed to be, or taken to be, interested in the same number of shares of the Company in which Mr. CM Lau is interested for the purpose of the SFO.
- (3) Ms. Kwong Shun Man Jessie is the spouse of Dr. CK Lau. Therefore, Ms. Kwong Shun Man Jessie is deemed to be, or taken to be, interested in the same number of shares of the Company in which Dr. CK Lau is interested for the purpose of the SFO.



Directors' Report

Save as disclosed above, as at the date of this annual report, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had any interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the Reorganisation as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 September 2018.

COMPETING BUSINESS

During the year ended 30 September 2018, none of the Directors or the Controlling Shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertakings

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and Elite Bright (each a "Covenantor" and collectively the "Covenantors") have entered into the deed of non-competition with the Company (for itself and for and on behalf of its subsidiaries) on 17 September 2018 (the "Deed of Non-competition"). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for and on behalf of its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.



Directors' Report

Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the section headed “Relationship with our Controlling Shareholders – Non-Competition Undertakings” in the Prospectus.

During the year ended 30 September 2018, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group), and the Company has received an annual written confirmation from each Controlling Shareholder of the Company in respect of him/it and his/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders had complied with the Deed of Non-competition.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the section headed “Corporate Governance Report” of this annual report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in Note 22 to the consolidated financial statements of this annual report, no equity-linked agreements were entered into by the Company during the year ended 30 September 2018.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information available in the public domain concerning the Company, at least 25% of the Company's issued share capital was held by the public as at the date of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITORS

The consolidated financial statements of the Group for the year ended 30 September 2018 were audited by HLB Hodgson Impey Cheng Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint HLB Hodgson Impey Cheng Limited as the auditors of the Company.

ON BEHALF OF THE BOARD

Shing Chi Holdings Limited

Lau Chi Wang

Chairman and Executive Director

Hong Kong, 21 December 2018



Independent Auditors' Report



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE MEMBERS OF SHING CHI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Shing Chi Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 50 to 103, which comprise the consolidated statement of financial position as at 30 September 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2018, 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 (“**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 Auditors’ 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 Matter

Key audit matters are those matters that, in our professional judgement, 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 Auditors' Report

Key Audit Matter (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Recognition of revenue and costs from construction contracts and gross amounts due from/to customers for contract work</i>	
We identified recognition of revenue and costs from construction contracts and gross amounts due from/to customers for contract work as a key audit matter as significant management's estimations and judgements are involved in the determination of the outcome of construction contracts and the percentage of completion.	<p>Our audit procedures in relation to recognition of revenue and costs from construction contracts and gross amounts due from/to customers for contract work mainly included:</p> <ul style="list-style-type: none">• Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management;• Understanding from management about how the budgets were prepared and the respective stage of completion were determined;• Evaluating the reasonableness of percentage of completion by obtaining the certificates issued by customers or payment application confirmed by internal surveyor;• Testing the actual costs incurred on construction works;• Assessing the reasonableness of the budgets by comparing the actual outcome against management's estimation of similar contracts; and• Checking the gross amounts due from/to customers for contract work by agreeing the actual costs incurred and the progress billings issued to customers.

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 auditors' 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.



Independent Auditors' Report

Responsibilities of Directors for the Consolidated Financial Statements

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. This report is made solely to you, as a body, 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.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism 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.

Independent Auditors' Report

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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 auditors' 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 auditors' 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee 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 the Audit Committee, 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 auditors' 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 director on the audit resulting in this independent auditors' report is Chan Ching Pang.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Chan Ching Pang

Practising Certificate Number: P05746

Hong Kong, 21 December 2018



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 September 2018

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
Revenue	5	379,575	359,311
Cost of sales		(339,441)	(318,351)
Gross profit		40,134	40,960
Other income, gains and losses	5	4,914	606
Administrative and other operating expenses		(29,759)	(12,653)
Operating profit		15,289	28,913
Finance costs	6	(48)	(3)
Profit before tax	7	15,241	28,910
Income tax expense	10	(5,139)	(4,901)
Profit and total comprehensive income for the year		10,102	24,009
Profit and total comprehensive income attributable to:			
Owners of the Company		9,909	23,677
Non-controlling interests		193	332
Profit and total comprehensive income for the year		10,102	24,009
Basic and diluted earnings per share (HK cents)	11	1.65	3.95

Details of dividends are disclosed in Note 13 to the consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 September 2018

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	3,616	927
Deferred tax assets	24	41	16
		<u>3,657</u>	<u>943</u>
Current assets			
Trade and other receivables	16	103,959	80,132
Amounts due from customers for contract work	17	51,516	22,717
Financial assets at fair value through profit or loss	18	344	341
Amounts due from related parties	19	–	5,848
Cash and cash equivalents	20	88,167	101,248
		<u>243,986</u>	<u>210,286</u>
Total assets		<u>247,643</u>	<u>211,229</u>
EQUITY			
Capital and reserves			
Share capital	21	–*	10,819
Reserves		91,929	84,517
		<u>91,929</u>	<u>95,336</u>
Non-controlling interests		–	1,624
Total equity		<u>91,929</u>	<u>96,960</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	24	227	105
Current liabilities			
Trade and other payables	25	119,285	92,314
Amounts due to customers for contract work	17	28,816	12,171
Finance lease liabilities	23	2,212	37
Amount due to a related party	19	–	1
Income tax payable		5,174	9,641
		<u>155,487</u>	<u>114,164</u>
Total liabilities		<u>155,714</u>	<u>114,269</u>
Total equity and liabilities		<u>247,643</u>	<u>211,229</u>



Consolidated Statement of Financial Position

As at 30 September 2018

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
Net current assets		88,499	96,122
Total assets less current liabilities		92,156	97,065

*Less than HK\$1,000

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 21 December 2018 and are signed on its behalf by:

Lau Chi Wang
Director

Lau Chi Keung
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 September 2018

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Other reserve	Retained earnings	Subtotal		
	HK\$'000 (Note 21)	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 October 2016	10,819	–	63,797	74,616	1,335	75,951
Profit and total comprehensive income for the year	–	–	23,677	23,677	332	24,009
Dividends (Note 13)	–	–	(3,000)	(3,000)	–	(3,000)
Acquisition of non-controlling interests – Fong On Geotechnics Limited (Note 30(a))	–	–	43	43	(43)	–
Balance at 30 September 2017	10,819	–	84,517	95,336	1,624	96,960
Balance at 1 October 2017	10,819	–	84,517	95,336	1,624	96,960
Profit and total comprehensive income for the year	–	–	9,909	9,909	193	10,102
Dividends (Note 13)	–	–	(15,064)	(15,064)	–	(15,064)
Issue of shares of subsidiaries	31	–	–	31	–	31
Acquisition of non-controlling interests – James Lau & Associates Limited (Note 30(b))	–	–	1,717	1,717	(1,817)	(100)
Reorganisation	(10,850)	10,850	–	–	–	–
Balance at 30 September 2018	–*	10,850	81,079	91,929	–	91,929

*Less than HK\$1,000

Note: The other reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the aggregate amount of the nominal value of the share capital of its subsidiaries held by the controlling shareholders arising from the Reorganisation.

The accompanying notes form an integral part of these consolidated financial statements.



Consolidated Statement of Cash Flows

For the year ended 30 September 2018

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	26(a)	6,982	10,497
Tax paid		(9,509)	(2,486)
Dividend received		11	9
Net cash (used in)/generated from operating activities		(2,516)	8,020
Cash flows from investing activities			
Purchases of property, plant and equipment		(763)	(374)
Proceeds from disposal of property, plant and equipment		3	–
(Advances to)/repayments from related parties		(9,192)	2,730
Interest received		15	14
Net cash (used in)/generated from investing activities		(9,937)	2,370
Cash flows from financing activities			
Acquisition of non-controlling interests		(100)	–
Repayment of finance leases		(455)	(61)
Interest paid on finance leases		(48)	(3)
Repayments to a related party		(1)	–
Dividends paid		(24)	(3,450)
Net cash used in financing activities		(628)	(3,514)
Net (decrease)/increase in cash and cash equivalents		(13,081)	6,876
Cash and cash equivalents at beginning of year		101,248	94,372
Cash and cash equivalents at end of year		88,167	101,248
Analysis of cash and cash equivalents			
Cash at banks	20	88,167	101,248

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 3 January 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 16 October 2018. Its parent and ultimate holding company is Elite Bright Developments Limited (“**Elite Bright**”), a company incorporated in the British Virgin Islands (“**BVI**”) and wholly-owned by Dr. Lau Chi Wang (“**Dr. CW Lau**”), Mr. Lau Chi Ming (“**Mr. CM Lau**”) and Dr. Lau Chi Keung (“**Dr. CK Lau**”), the controlling shareholders of the Company.

The address of the Company’s registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and the Company’s principal place of business is Units 1901-1904, China Merchants Building, 152-155 Connaught Road Central, Hong Kong. The Company is an investment holding company. The Group is principally engaged in provision of foundation works and site formation works, general building works and associated services, other construction works and construction related consultancy services.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company’s shares on the Stock Exchange (the “**Reorganisation**”), the group entities were under the control of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 17 September 2018. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation where this is a shorter period. The consolidated statement of financial position as at 30 September 2017 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

The consolidated financial statements are presented in Hong Kong dollars (“**HKS**”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 21 December 2018.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for the subsequent remeasurement of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The Amendments to HKAS 7 *Disclosure Initiative*, Amendments to HKAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* and Amendments to HKFRS 12 *As part of the Annual Improvements to HKFRSs 2014-2016 Cycle* effective for the accounting periods beginning on or after 1 January 2017 have been consistently applied to all the years presented.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures

New standards and interpretations not yet adopted

The following are new standards, amendments and interpretations that have been issued but not yet effective for the annual accounting period beginning 1 January 2017 and have not been early adopted by the Group:

		Effective for the accounting periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers and related Amendments	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2018
Amendments to HKAS 40	Transfers of Investment Property	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKFRS 1	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2018
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

New standards and interpretations not yet adopted (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 replaces the whole of HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss. HKFRS 9 introduces a new model for the recognition of impairment losses, the expected credit losses (“ECL”) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on the ECL model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected loss that are estimated based on the present value of all cash shortfalls over the remaining life of its trade receivables and contract assets. Furthermore, the Group will apply the general approach to other receivables. If there has not been a significant increase in credit risk since initial recognition, the Group will record a twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. When there has been a significant increase in credit risk since initial recognition, the impairment will be based on lifetime expected credit losses.

The Group will adopt HKFRS 9 from 1 October 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 October 2018.

The Group does not expect the adoption of HKFRS 9 will have a significant impact on the classification and measurement of the financial instruments of the Group and on the Group’s financial performance and financial position upon the adoption of HKFRS 9 on 1 October 2018.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

New standards and interpretations not yet adopted (Continued)

HKFRS 15 Revenue from Contracts with Customers

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

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Based on the current accounting policies adopted by the Company, the revenue is recognised with reference to the proportion of the work performed based on the surveys of work performed to date.

In accordance with HKFRS 15, input methods recognise revenue on the basis of the Group’s efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of that performance obligation. The timing of revenue recognition based on current accounting policies may result in different timing of revenue recognition based on input method as mentioned in HKFRS 15 because there may not be a direct relationship between the Group’s inputs and the satisfaction of the Group’s performance obligation to a customer (i.e. the surveys of work performed to date by the customers and/or surveyors engaged by the customers).



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

New standards and interpretations not yet adopted (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

On the other hand, HKFRS 15 allows adoption of output method as appropriate method of measuring progress to recognise revenue. In accordance to HKFRS 15, output methods recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. Output methods include methods such as surveys of performance completed to date. The timing of revenue recognition based on current accounting policies is similar to the timing of revenue recognition based on output method as mentioned in HKFRS 15. The Group will continue to adopt the output method for revenue recognition. Also, the directors are assessing whether the current accounting policy adopted by the Group in recognising the construction costs charged to profit or loss by reference to the stage of completion of the contract activity at the end of the reporting period is different from the recognition of construction costs in profit or loss based on the actual construction costs incurred under HKFRS 15's guidance and the potential financial impact.

The materials consumed by the Group include concrete, steel reinforcement and H-piles, and rock fall/debris flow protection barriers. The Group did not maintain any inventory during the year ended 30 September 2018 (2017: nil) mainly because the materials were usually delivered directly to the project sites for immediate consumption on project-by-project basis. As such, the Group did not have significant amount of uninstalled materials as at the end of each reporting period. Thus, the financial impact of the uninstalled materials in the application of HKFRS 15 will be considered as insignificant.

The Group will adopt HKFRS 15 for all uncompleted contracts as at 1 October 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in the retained earnings as of 1 October 2018 and that comparatives will not be restated.

Apart from the recognition of construction costs as explained above, the directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group's consolidated financial statements and the timing of revenue recognition in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

New standards and interpretations not yet adopted (Continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors. Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these financial statements. As set out in Note 27, total operating lease commitments of the Group as at 30 September 2018 amounted to approximately HK\$972,000 (2017: HK\$753,000). The directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

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

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchase of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Merger accounting for common control combinations

The consolidated financial statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK\$, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.6 Property, plant and equipment

The property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

– Furniture and fixtures	20%
– Office equipment	20%
– Leasehold improvements	Shorter of lease term or 20%
– Motor vehicles	20%
– Machinery	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.9 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in or deducted from contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Construction contracts (Continued)

The Group uses the “percentage-of-completion method” to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

In the consolidated statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

2.10 Financial assets

The Group classifies its financial assets as financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group’s loans and receivables comprise “trade and other receivables”, “amounts due from related parties” and “cash and cash equivalent” in the consolidated statement of financial position.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in profit or loss within “Other income, gains and losses” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the Group’s right to receive payments is established.

2.11 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific 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.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (Continued)

(ii) Retirement benefits obligations

The Group operates a defined contribution plan and pays contributions to a privately administered pension insurance plan on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.22 Revenue recognition and other income

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. Revenue is shown after eliminating sales within the Group.

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in Note 2.9 above.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivable is recognised using the original effective interest rate.

Service income is recognised in the accounting period in which the services are rendered.

Rental income is recognised based on the straight-line basis over the lease terms.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

2.24 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk, price risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from finance lease. Finance lease obtained with variable rates expose the Group to cash flow interest rate risk which is partially offset by cash deposited at variable rates. The Group has not hedged its cash flow interest rate risks.

As at 30 September 2018, if the interest rate on all variable-rate finance lease had been 100 basis points higher/lower with all other variables held constant, the Group's profit after income tax for the year would have been decreased/increased by approximately HK\$18,000 (2017: nil), mainly as a result of higher/lower interest expense on finance lease with floating interest rates.

(ii) Credit risk

Credit risk arises mainly from trade and other receivables, amounts due from related parties and cash and cash equivalents. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

As at 30 September 2018, the Group has concentration of credit risk as 63.5% (2017: 59.3%) of the Group's trade and retention receivables were due from the Group's five largest trade debtors. The Group has set up long-term cooperative relationship with these debtors. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivables balance due from these debtors.

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk from investments, the Group diversifies its portfolio.

The Group's investments are publicly traded and listed in the Stock Exchange.

(iv) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient financial resources to fund their operations.

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group may be required to pay:

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

	On demand or within one year HK\$'000
<hr/>	
At 30 September 2018	
Trade and other payables	100,420
Finance lease liabilities	2,324
	<hr/>
	102,744
<hr/>	
	On demand or within one year HK\$'000
<hr/>	
At 30 September 2017	
Trade and other payables	58,562
Amount due to a related party	1
Finance lease liabilities	38
	<hr/>
	58,601
<hr/>	

3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities divided by the total equity.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (Continued)

The gearing ratios of the Group are as follows:

	2018 HK\$'000	2017 HK\$'000
Finance lease liabilities (<i>Note 23</i>)	2,212	37
Total equity	91,929	96,960
Gearing ratio	2.41%	0.04%

3.3 Fair value estimation

The below analyses the Group's financial instruments carried at fair value as at 30 September 2018 and 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 30 September 2018 and 2017, financial assets at fair value through profit or loss held by the Group are measured at level 1.

There were no transfers between levels during the years.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 represent investments listed in Hong Kong stock market.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Construction contracts

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period and actual cost or revenue may be higher or lower than estimated at the end of each reporting period, which could affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION

Revenue and other income, gains and losses recognised during the years are as follows:

	2018 HK\$'000	2017 HK\$'000
Revenue		
Foundation and site formation works	124,061	131,784
General building works and associated services	178,684	172,538
Other construction works	65,515	40,647
Construction related consultancy services	11,315	14,342
	379,575	359,311
Other income, gains and losses		
Rental income	8	100
Bank interest income	15	14
(Loss)/gain on disposal of property, plant and equipment	(26)	84
Dividend income from financial assets at fair value through profit or loss	11	9
Fair value change on financial assets at fair value through profit or loss	3	53
Insurance claims	4,445	335
Others	458	11
	4,914	606



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

Segment information

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 executive directors of the Company, 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 are as follows:

- Foundation and site formation works;
- General building works and associated services;
- Other construction works; and
- Construction related consultancy 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.

Segment revenue and results

	Foundation and site formation works HK\$'000	General building works and associated services HK\$'000	Other construction works HK\$'000	Construction related consultancy services HK\$'000	Total HK\$'000
Year ended 30 September 2018					
Segment revenue	<u>124,061</u>	<u>178,684</u>	<u>65,515</u>	<u>11,315</u>	<u>379,575</u>
Segment results	<u>18,046</u>	<u>14,783</u>	<u>2,800</u>	<u>4,505</u>	<u>40,134</u>
Other income, gains and losses					4,914
Administrative and other operating expenses					(29,759)
Finance costs					<u>(48)</u>
Profit before tax					<u>15,241</u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

	Foundation and site formation works HK\$'000	General building works and associated services HK\$'000	Other construction works HK\$'000	Construction related consultancy services HK\$'000	Total HK\$'000
Year ended 30 September 2017					
Segment revenue	131,784	172,538	40,647	14,342	359,311
Segment results	13,282	9,873	9,348	8,457	40,960
Other income, gains and losses					606
Administrative and other operating expenses					(12,653)
Finance costs					(3)
Profit before tax					28,910

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment results mainly represented profit earned by each segment, excluding other income, gains and losses, administrative and other operating expenses, finance costs and income tax expenses.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of the projects and all of the Group's non-current assets are located in Hong Kong by physical location of assets.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

Information about major customers

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

	2018 HK\$'000	2017 HK\$'000
Customer A ²	119,745	N/A ¹
Customer B ^{2 and 3}	N/A ¹	140,863
Customer C ³	N/A ¹	36,500
Customer D ^{2 and 3}	108,284	51,244

¹ The corresponding revenue did not contribute over 10% of the Group's total revenue in the respective years.

² Revenue from general building works and associated services.

³ Revenue from foundation and site formation works.

6 FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interest on finance lease	48	3

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

7 PROFIT BEFORE TAX

	2018 HK\$'000	2017 HK\$'000
Profit before tax has been arrived at after charging/(crediting):		
Depreciation	675	450
Operating lease payments	1,242	1,197
Auditors' remuneration	900	35
Employee benefit expenses, including directors' emoluments (<i>Note 8</i>)	17,663	26,917
(Reversal)/impairment on trade receivables	(195)	571
Listing expenses	15,461	1,375

8 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2018 HK\$'000	2017 HK\$'000
Salaries and other benefits	19,351	23,863
Discretionary bonuses	1,583	1,347
Retirement benefit scheme contributions	622	747
	21,556	25,957
(Less)/add: Amount included in amounts due from/to customers for contract work	(3,893)	960
	17,663	26,917

The Group operates a defined contribution scheme in Hong Kong which complies with the requirements under the Mandatory Provident Fund ("MPF") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the years ended 30 September 2018 and 2017 is set out below:

	Fee HK\$'000	Salaries and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Year ended 30 September 2018					
<i>Executive directors</i>					
Dr. CW Lau	–	1,670	–	–	1,670
Mr. CM Lau	–	1,543	–	18	1,561
Dr. CK Lau (Chief Executive Officer)	–	1,538	–	18	1,556
<i>Independent non-executive directors</i>					
Mr. Leung Bing Kwong Edward ("Mr. Leung")	–	–	–	–	–
Mr. Pang Ka Hang ("Mr. Pang")	–	–	–	–	–
Mr. Wong Chun Nam ("Mr. Duffy Wong")	–	–	–	–	–
	–	4,751	–	36	4,787

	Fee HK\$'000	Salaries and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Year ended 30 September 2017					
<i>Executive directors</i>					
Dr. CW Lau	–	1,525	–	–	1,525
Mr. CM Lau	–	1,370	–	18	1,388
Dr. CK Lau	–	1,359	–	18	1,377
	–	4,254	–	36	4,290

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

Dr. CW Lau, Mr. CM Lau and Dr. CK Lau were appointed as directors of the Company on 3 January 2018 and re-designated as executive directors on 12 February 2018. Dr. CK Lau was also re-designated as the chief executive officer of the Company on 12 February 2018. They were also directors of certain subsidiaries of the Company during the years ended 30 September 2018 and 2017 and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees before their appointment as directors of the Company.

Mr. Leung, Mr. Pang and Mr. Duffy Wong were appointed as independent non-executive directors of the Company on 17 September 2018.

During the years ended 30 September 2018 and 2017, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the years ended 30 September 2018 and 2017.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2017: three) of them are directors for the year ended 30 September 2018 whose emoluments are disclosed above. The emoluments in respect of the remaining two (2017: two) individuals during the year are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries and allowances	1,583	1,498
Discretionary bonuses	227	241
Retirement benefit scheme contributions	36	36
	1,846	1,775



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

9 DIRECTORS' EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands (in HK\$)		
Nil – HK\$1,000,000	1	1
HK\$1,000,001 – HK\$1,500,000	1	1

During the year ended 30 September 2018, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (2017: nil).

10 INCOME TAX EXPENSE

	2018	2017
	HK\$'000	HK\$'000
Hong Kong profits tax:		
– Current income tax	4,825	4,604
– Underprovision in prior years	217	–
Deferred income tax (Note 24)	97	297
Income tax expense	5,139	4,901

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

10 INCOME TAX EXPENSE (CONTINUED)

The two-tiered profits tax rates regime is applicable to one entity within the Group for the year ended 30 September 2018.

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2018 HK\$'000	2017 HK\$'000
Profit before tax	15,241	28,910
Calculated at a tax rate of 16.5%	2,515	4,770
Expenses not deductible for tax purposes	2,627	228
Income not subject to tax	(55)	(18)
Underprovision in prior years	217	–
Others	(165)	(79)
Income tax expense	5,139	4,901

11 EARNINGS PER SHARE

	2018	2017
Profit attributable to owners of the Company (HK\$'000)	9,909	23,677
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	600,000	600,000
Basic earnings per share (HK cents)	1.65	3.95

For the years ended 30 September 2018 and 2017, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of 600,000,000 shares (comprising 10,000 shares in issue and 599,990,000 shares to be issued under the capitalisation issue) as if these 600,000,000 shares were outstanding throughout the years.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary share in issue during the years ended 30 September 2018 and 2017.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

12 SUBSIDIARIES

The following is a list of the principal subsidiaries at 30 September 2018:

<u>Name</u>	<u>Place of incorporation and kind of legal entity</u>	<u>Principal activities and place of operation</u>	<u>Particulars of issued share capital</u>	<u>Percentage of interest held</u>
Peaceful Fluent International Limited (“ Peaceful Fluent ”)	BVI, limited liability company	Investment holding	Ordinary share United States dollars (“ US\$ ”) 1,098	100% (direct)
Precious Castle Holdings Limited (“ Precious Castle ”)	BVI, limited liability company	Investment holding	Ordinary share US\$1,098	100% (direct)
Bright Dance Group Limited (“ Bright Dance ”)	BVI, limited liability company	Investment holding	Ordinary share US\$1,098	100% (direct)
Mass Strength Limited (“ Mass Strength ”)	BVI, limited liability company	Investment holding	Ordinary share US\$1,098	100% (direct)
Fong On Construction Limited (“ Fong On Construction ”)	Hong Kong, limited liability company	Provision of construction and consultancy services	Ordinary share HK\$8,600,001	100% (indirect)
Fong On Geotechnics Limited (“ Fong On Geotechnics ”)	Hong Kong, limited liability company	Provision of construction and consultancy services	Ordinary share HK\$100,020	100% (indirect)
Po Shing Construction Limited (“ Po Shing Construction ”)	Hong Kong, limited liability company	Provision of construction and consultancy services	Ordinary share HK\$2,200,002	100% (indirect)
James Lau & Associates Limited (“ James Lau & Associates ”)	Hong Kong, limited liability company	Provision of construction and consultancy services	Ordinary share HK\$18,500	100% (indirect)

13 DIVIDENDS

During the year ended 30 September 2018, dividends of HK\$15,064,000 were appropriated to the then shareholder of Peaceful Fluent, Precious Castle and Mass Strength of HK\$9,998,000, HK\$3,158,000 and HK\$1,908,000 respectively, of which approximately HK\$15,040,000 was set off against the amounts due from directors and approximately HK\$24,000 was settled by cash.

During the year ended 30 September 2017, Po Shing Construction, Fong On Construction and Fong On Geotechnics declared and paid dividends of HK\$1,200,000, HK\$1,200,000 and HK\$600,000 respectively, to their then shareholders.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

14 PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Machinery HK\$'000	Total HK\$'000
Cost						
At 1 October 2016	612	1,063	93	2,520	–	4,288
Additions	8	450	–	–	–	458
Disposals	–	(10)	–	–	–	(10)
At 30 September 2017	620	1,503	93	2,520	–	4,736
Accumulated depreciation						
At 1 October 2016	558	604	51	2,156	–	3,369
Charge for the year	16	173	42	219	–	450
Disposals	–	(10)	–	–	–	(10)
At 30 September 2017	574	767	93	2,375	–	3,809
Net book value						
At 30 September 2017	46	736	–	145	–	927
Cost						
At 1 October 2017	620	1,503	93	2,520	–	4,736
Additions	–	43	62	–	3,288	3,393
Disposals	–	–	–	(63)	–	(63)
At 30 September 2018	620	1,546	155	2,457	3,288	8,066
Accumulated depreciation						
At 1 October 2017	574	767	93	2,375	–	3,809
Charge for the year	16	220	2	53	384	675
Disposals	–	–	–	(34)	–	(34)
At 30 September 2018	590	987	95	2,394	384	4,450
Net book value						
At 30 September 2018	30	559	60	63	2,904	3,616

As at 30 September 2018, certain machinery was held under finance leases with carrying amounts of approximately HK\$2,904,000 (2017: nil).



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

15 FINANCIAL INSTRUMENTS BY CATEGORY

	2018 HK\$'000	2017 HK\$'000
Financial assets		
<i>Loans and receivables</i>		
Trade and other receivables excluding non-financial assets	103,642	79,766
Amounts due from related parties	–	5,848
Cash and cash equivalents	88,167	101,248
	191,809	186,862
<i>Financial assets at fair value through profit or loss</i>		
Financial assets at fair value through profit or loss	344	341
Total	192,153	187,203
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Trade and other payables excluding non-financial liabilities	100,420	58,562
Amount due to a related party	–	1
Finance lease liabilities	2,212	37
Total	102,632	58,600

16 TRADE AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	43,246	41,476
Less: provision for impairment of trade receivables	(781)	(976)
	42,465	40,500
Retention receivables	53,312	37,167
Other receivables, deposits and prepayments	8,182	2,465
	103,959	80,132

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

- (a) The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate.
- (b) The ageing analysis of the trade receivables based on payment certificate date or invoice date is as follows:

	2018 HK\$'000	2017 HK\$'000
0-30 days	34,850	27,639
31-60 days	1,787	4,111
61-90 days	702	4,181
Over 90 days	5,126	4,569
	42,465	40,500

Trade receivables of approximately HK\$34,850,000 as at 30 September 2018 (2017: HK\$27,884,000) were not yet past due and approximately HK\$7,615,000 as at 30 September 2018 (2017: HK\$12,616,000) were past due but not impaired. These relate to trade receivables from a number of customers of whom there is no recent history of default and no provision has therefore been made.

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

	2018 HK\$'000	2017 HK\$'000
0-30 days	1,787	3,873
31-60 days	702	4,225
61-90 days	498	321
Over 90 days	4,628	4,197
	7,615	12,616

Movements in the Group's provision for impairment of trade receivables are as follows:

	2018 HK\$'000	2017 HK\$'000
At beginning of year	976	455
(Reversal)/impairment on trade receivables	(195)	571
Written off as uncollectible	-	(50)
At end of year	781	976

Except for retention receivables of approximately HK\$20,751,000 as at 30 September 2018 (2017: HK\$13,618,000), which are expected to be recovered after one year, all of the remaining retention receivables are expected to be recovered within one year.

As at 30 September 2017, included in trade receivables were amounts due from a related party, Maxwell Contract Services Company Limited ("Maxwell Contract Services") of approximately HK\$3,596,000. Maxwell Contract Services is a company owned by Dr. CW Lau.

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



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

17 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2018 HK\$'000	2017 HK\$'000
Contract costs incurred plus recognised profits less recognised losses	1,059,974	819,515
Less: Progress billings received and receivable	<u>(1,037,274)</u>	<u>(808,969)</u>
	<u>22,700</u>	<u>10,546</u>
Included in current assets/(liabilities) are the following:		
Amounts due from customers for contract work	51,516	22,717
Amounts due to customers for contract work	<u>(28,816)</u>	<u>(12,171)</u>
	<u>22,700</u>	<u>10,546</u>

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK\$'000	2017 HK\$'000
Held for trading investments include:		
Listed fund, at quoted price in Hong Kong	<u>344</u>	<u>341</u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

19 AMOUNT(S) DUE FROM/TO RELATED PARTY(IES)

(a) Amounts due from related parties

Name	Maximum outstanding balance during the year ended 30 September			
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Dr. CW Lau	5,443	2,571	–	2,443
Mr. CM Lau	4,590	2,890	–	1,590
Dr. CK Lau	4,590	2,890	–	1,590
Maxwell Contract Services	444	224	–	224
Hip Shing Construction & Engineering Limited (“Hip Shing”)	9	8	–	1
			–	5,848

The amounts due were non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment.

Hip Shing is a company owned by Mr. Christopher Lee, a director of a subsidiary of the Company. Mr. Christopher Lee resigned as a director of the subsidiary in December 2017.

(b) Amount due to a related party

Name	2018 HK\$'000	2017 HK\$'000
Fong On Information Technology Limited (“Fong On Information”)	–	1

The amount due was non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment.

Fong On Information is a company controlled by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

20 CASH AND CASH EQUIVALENTS

	2018 HK\$'000	2017 HK\$'000
Cash at banks	88,167	101,248

Notes:

(a) The carrying amount of cash and bank balances were denominated in the following currencies:

	2018 HK\$'000	2017 HK\$'000
HK\$	88,165	101,246
US\$	2	2
Cash at banks	88,167	101,248

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

21 SHARE CAPITAL

	<i>Notes</i>	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
On 3 January 2018 (date of incorporation)	b	38,000,000	380
Increase in authorised share capital	c	1,962,000,000	19,620
As at 30 September 2018		2,000,000,000	20,000
Issued and fully paid:			
On 3 January 2018 (date of incorporation)	b	1	—*
Reorganisation	d	9,999	—*
As at 30 September 2018		10,000	—*

*Less than HK\$1,000

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

21 SHARE CAPITAL (CONTINUED)

Notes:

- (a) The balance of share capital at 30 September 2017 represents the aggregate of the paid-up share capital of the subsidiaries comprising the Group prior to the Reorganisation.
- (b) Upon incorporation of the Company, the authorised share capital was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. One fully paid share was allotted and issued to the initial subscriber, an independent third party, which was subsequently transferred to Elite Bright on the same date.
- (c) On 17 September 2018, the Company resolved to increase its authorised share capital from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each by the creation of 1,962,000,000 additional shares, each ranking pari passu with the shares then in issue in all respects.
- (d) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued shares of Mass Strength, Peaceful Fluent, Bright Dance and Precious Castle, respectively, from Elite Bright, on 17 September 2018, 9,999 shares, credited as fully paid, were allotted and issued to Elite Bright.

22 SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to resolutions passed on 17 September 2018 as to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

Under the Scheme, the board of directors may, at their absolute discretion and subject to the terms of the Scheme, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe for shares of the Company. The basis of eligibility of any participant to the grant of any option shall be determined by the board of directors from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

Under the Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

22 SHARE OPTION SCHEME (CONTINUED)

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options in excess of such limit, such further grant must be separately approved by shareholders of the Company in general meeting with such grantee and his/her close associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK\$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

An offer for the grant of options must be accepted in writing within 7 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the board of directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the higher 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 option, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share on the offer date of grant of the option.

The Scheme will remain in force for a period of ten years commencing on 17 September 2018 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders of the Company in general meeting.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 30 September 2018 and 2017.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

23 FINANCE LEASE LIABILITIES

As at 30 September 2018 and 2017, the Group had finance leases repayable as follows (ignoring the effect of demand clause):

	2018		2017	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within one year	859	930	37	38
More than one year but not more than two years	893	930	–	–
More than two years but not more than five years	460	464	–	–
	2,212	2,324	37	38
Less: total future interest expense		(112)		(1)
Present value of lease obligations		2,212		37

The Group's machinery with aggregate net book value of approximately HK\$2,904,000 as at 30 September 2018 (2017: nil) were secured as the rights to the leased assets revert to the lessors in the event of default and by personal guarantees given by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau.

The finance lease facilities bore interest of 3.85% per annum as at 30 September 2018 (2017: 4.73% per annum).

The Group did not breach financial bank covenant during the years ended 30 September 2018 and 2017.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

24 DEFERRED TAX ASSETS/LIABILITIES

The following is the deferred tax assets and liabilities recognised and movements thereon during the years ended 30 September 2018 and 2017:

	Depreciation allowance	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 October 2016	(83)	291	208
Charged to profit or loss (<i>Note 10</i>)	(6)	(291)	(297)
At 30 September 2017 and 1 October 2017	(89)	–	(89)
Charged to profit or loss (<i>Note 10</i>)	(138)	41	(97)
At 30 September 2018	(227)	41	(186)

The following is the analysis of the deferred tax balances for financial reporting purpose:

	2018	2017
	HK\$'000	HK\$'000
Deferred tax assets	41	16
Deferred tax liabilities	(227)	(105)
	(186)	(89)

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

25 TRADE AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables	28,575	16,140
Retention payables	27,259	19,641
Accruals and other payables	44,586	22,781
Receipts in advance	18,865	33,752
	119,285	92,314

Note:

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

	2018 HK\$'000	2017 HK\$'000
0 – 30 days	20,253	8,154
31 – 60 days	3,030	3,956
61 – 90 days	1,477	1,381
Over 90 days	3,815	2,649
	28,575	16,140

Except for retention payables of approximately HK\$8,952,000 as at 30 September 2018 (2017: HK\$11,267,000), which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

As at 30 September 2017, included in accruals was amount due to a related party, Hip Shing of approximately HK\$7,273,000.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before tax to net cash generated from operations

	2018 HK\$'000	2017 HK\$'000
Profit before tax	15,241	28,910
Adjustments for:		
Depreciation	675	450
Interest expense	48	3
Interest income	(15)	(14)
Dividend income	(11)	(9)
(Reversal)/impairment on trade receivables	(195)	571
Loss/(gain) on disposal of property, plant and equipment	26	(84)
Operating profit before working capital changes	15,769	29,827
Increase in trade and other receivables	(23,601)	(6,056)
(Increase)/decrease in amounts due from customers for contract work	(28,799)	4,460
Increase in financial assets at fair value through profit or loss	(3)	(53)
Increase/(decrease) in trade and other payables	26,971	(26,837)
Increase in amounts due to customers for contract work	16,645	9,156
Net cash generated from operations	6,982	10,497

(b) Material non-cash transactions

During the year ended 30 September 2018, additions to property, plant and equipment of approximately HK\$2,630,000 were financed by finance lease arrangements.

During the year ended 30 September 2017, additions to property, plant and equipment of approximately HK\$84,000 was settled by trade-in discount given by the vendor.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities

	As at 1 October 2017 HK\$'000	Cash flows HK\$'000	Non-cash changes HK\$'000	As at 30 September 2018 HK\$'000
Amount due to a related party	1	(1)	–	–
Finance lease liabilities (<i>Note i</i>)	37	(455)	2,630	2,212
Total liabilities from financing activities	38	(456)	2,630	2,212

	As at 1 October 2016 HK\$'000	Cash flows HK\$'000	Non-cash changes HK\$'000	As at 30 September 2017 HK\$'000
Amount due to a related party	1	–	–	1
Dividends payable (<i>Note ii</i>)	450	(3,450)	3,000	–
Finance lease liabilities	98	(61)	–	37
Total liabilities from financing activities	549	(3,511)	3,000	38

Notes:

- (i) Non-cash changes represent additions to property, plant and equipment financed by finance lease arrangement.
- (ii) Non-cash changes represent dividends declared during the year.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

27 OPERATING LEASE COMMITMENTS

(a) The Group as lessee

The future minimum lease payments under non-cancellable operating leases were payable as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	870	612
In the second to fifth years inclusive	102	141
	972	753

The leases typically run for an initial period of 1 to 5 years, with an option to renew the leases whereby all terms are renegotiated. The operating leases in respect of the office premises were secured by personal guarantee given by Dr. CW Lau.

(b) The Group as lessor

The future minimum lease payments receivable under non-cancellable operating leases were receivable as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	–	58

The leases typically run for an initial period of 2 to 3 years, with an option to renew the leases when all terms are renegotiated.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

28 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties at terms mutually agreed by both parties.

(a) Transactions

	2018 HK\$'000	2017 HK\$'000
Rental income from Hip Shing	8	100
Revenue from Wang Pak Lam & Associates Consulting Engineers & Architect Limited (“WPL & Associates”)	–	46
Revenue from Maxwell Contract Services	1,347	5,537
Subcontracting fee to Hip Shing	1,266	2,798

Dr. CK Lau is the director of WPL & Associates up to December 2017.

(b) Key management compensation

Key management comprises the directors of the Company. The compensation paid or payable to directors is disclosed in Note 9.

(c) Guarantee/security

As at 30 September 2018 and 2017, the Group has banking facilities secured/guaranteed by (i) personal guarantees given by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau and spouse of Mr. CM Lau and (ii) a property held by Mr. CM Lau and his spouse.

29 SURETY BONDS AND CONTINGENT LIABILITIES

As at 30 September 2018, certain customers of construction contracts undertaken by the Group require the Group to issue guarantee for the performance of contract works in the form of surety bonds of approximately HK\$10,900,000 (2017: HK\$359,000). Dr. CW Lau, Mr. CM Lau and Dr. CK Lau have provided guarantee to the insurance companies to secure certain surety bonds. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

As at 30 September 2018, the Group paid a cash collateral of approximately HK\$2,788,000 (2017: HK\$144,000) to the insurance companies for the issuance of surety bonds and are included in other receivables, deposits and prepayments.

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.



Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

30 ACQUISITION OF NON-CONTROLLING INTERESTS

- (a) On 14 July 2017, Dr. CK Lau acquired 1,000 shares of Fong On Geotechnics, representing 1% of its issued shares, from Ms. Lau Wai Ling Josephine (sister of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau) at a consideration of HK\$1,000.
- (b) On 19 December 2017, Mass Strength acquired 2,500 shares of James Lau & Associates, representing approximately 14% of its issued shares, from Mr. Luk Wah Shing (brother-in-law of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau) at a consideration of HK\$50,000.

On 18 January 2018, Mass Strength acquired 1,000 shares of James Lau & Associates, representing approximately 5% of its issued shares, from Mr. Luk Wang Kwong at a consideration of HK\$50,000.

31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position

	<i>Note</i>	2018 HK\$'000
ASSETS		
Non-current assets		
Interests in subsidiaries		<u>95,536</u>
		<u>95,536</u>
EQUITY		
Capital and reserves		
Share capital		—*
Reserves	31(b)	<u>90,894</u>
Total equity		<u>90,894</u>
LIABILITIES		
Current liabilities		
Amount due to a subsidiary		<u>4,642</u>
Total equity and liabilities		<u>95,536</u>
Net current liabilities		<u>(4,642)</u>
Total assets less current liabilities		<u>90,894</u>

* Less than HK\$1,000

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 21 December 2018 and are signed on its behalf by:

Lau Chi Wang
Director

Lau Chi Keung
Director

Notes to the Consolidated Financial Statements

For the year ended 30 September 2018

31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement

	Special reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
On 3 January 2018 (date of incorporation)	–	–	–
Loss and total comprehensive expense for the period	–	(4,642)	(4,642)
Reorganisation	95,536	–	95,536
Balance at 30 September 2018	95,536	(4,642)	90,894

Special reserve

Special reserve represents the difference between the total equity of its subsidiaries acquired pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefore.



Financial Summary

RESULTS

	For the year ended 30 September			
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	379,575	359,311	426,951	390,423
Cost of sales	(339,441)	(318,351)	(390,797)	(355,513)
Gross profit	40,134	40,960	36,154	34,910
Profit before tax	15,241	28,910	24,399	28,779
Income tax expense	(5,139)	(4,901)	(3,975)	(4,736)
Profit and total comprehensive income for the year	10,102	24,009	20,424	24,043

ASSETS AND LIABILITIES

	As at 30 September			
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Total assets	247,643	211,229	206,299	144,182
Total liabilities	(155,714)	(114,269)	(130,348)	(96,705)
	91,929	96,960	75,951	47,477
Total equity	91,929	96,960	75,951	47,477