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## **SHING CHI HOLDINGS LIMITED**

### **成志控股有限公司**

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

**(Stock Code: 1741)**

#### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2018**

##### **FINANCIAL HIGHLIGHTS**

- Revenue was approximately HK\$379.6 million for the year ended 30 September 2018, representing an increase of approximately 5.6% as compared with that for the year ended 30 September 2017.
- Gross profit decreased by approximately 2.0% from approximately HK\$41.0 million for the year ended 30 September 2017 to approximately HK\$40.1 million for the year ended 30 September 2018.
- Gross profit margin decreased from approximately 11.4% for the year ended 30 September 2017 to approximately 10.6% for the year ended 30 September 2018.
- Profit attributable to the owners of the Company was approximately HK\$9.9 million for the year ended 30 September 2018 as compared to profit of approximately HK\$23.7 million for the year ended 30 September 2017. Setting aside the listing expenses, adjusted net profit for the year ended 30 September 2018 was approximately HK\$25.6 million.
- Basic earnings per share was approximately HK1.65 cents for the year ended 30 September 2018, and approximately HK3.95 cents for the year ended 30 September 2017.
- The Board does not recommend the payment of any final dividend for the year ended 30 September 2018.

## FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Shing Chi Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 30 September 2018, together with the comparative figures for the year ended 30 September 2017.

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

*For the year ended 30 September 2018*

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

Details of dividends are disclosed in Note 7 to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,616	927
Deferred tax assets		41	16
		<u>3,657</u>	<u>943</u>
<b>Current assets</b>			
Trade and other receivables	8	103,959	80,132
Amounts due from customers for contract work		51,516	22,717
Financial assets at fair value through profit or loss		344	341
Amounts due from related parties		–	5,848
Cash and cash equivalents		88,167	101,248
		<u>243,986</u>	<u>210,286</u>
<b>Total assets</b>		<u><b>247,643</b></u>	<u><b>211,229</b></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	9	–*	10,819
Reserves		91,929	84,517
		<u>91,929</u>	<u>95,336</u>
Non-controlling interests		–	1,624
		<u>–</u>	<u>1,624</u>
<b>Total equity</b>		<u><b>91,929</b></u>	<u><b>96,960</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		227	105
		<u>227</u>	<u>105</u>

	<i>Note</i>	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
<b>Current liabilities</b>			
Trade and other payables	<i>10</i>	<b>119,285</b>	92,314
Amounts due to customers for contract work		<b>28,816</b>	12,171
Finance lease liabilities		<b>2,212</b>	37
Amount due to a related party		–	1
Income tax payable		<b>5,174</b>	9,641
		<u><b>155,487</b></u>	<u>114,164</u>
<b>Total liabilities</b>		<u><b>155,714</b></u>	<u>114,269</u>
<b>Total equity and liabilities</b>		<u><b>247,643</b></u>	<u>211,229</u>
<b>Net current assets</b>		<u><b>88,499</b></u>	<u>96,122</u>
<b>Total assets less current liabilities</b>		<u><b>92,156</b></u>	<u>97,065</u>

\* *Less than HK\$1,000*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

## 1 GENERAL INFORMATION

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

## 2 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 Hong Kong Institute of Certified Public Accountants. 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 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.

### 3 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Revenue</b>		
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
	<u>379,575</u>	<u>359,311</u>
<b>Other income, gains and losses</b>		
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
	<u>4,914</u>	<u>606</u>

#### 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 <i>HK\$'000</i>	General building works and associated services <i>HK\$'000</i>	Other construction works <i>HK\$'000</i>	Construction related consultancy services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 30 September 2018</b>					
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>	40,134
Other income, gains and losses					4,914
Administrative and other operating expenses					(29,759)
Finance costs					(48)
Profit before tax					<u>15,241</u>
	Foundation and site formation works <i>HK\$'000</i>	General building works and associated services <i>HK\$'000</i>	Other construction works <i>HK\$'000</i>	Construction related consultancy services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 30 September 2017</b>					
Segment revenue	<u>131,784</u>	<u>172,538</u>	<u>40,647</u>	<u>14,342</u>	<u>359,311</u>
Segment results	<u>13,282</u>	<u>9,873</u>	<u>9,348</u>	<u>8,457</u>	40,960
Other income, gains and losses					606
Administrative and other operating expenses					(12,653)
Finance costs					(3)
Profit before tax					<u>28,910</u>

## 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.

## Information about major customers

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A <sup>2</sup>	119,745	N/A <sup>1</sup>
Customer B <sup>2 and 3</sup>	N/A <sup>1</sup>	140,863
Customer C <sup>3</sup>	N/A <sup>1</sup>	36,500
Customer D <sup>2 and 3</sup>	<u>108,284</u>	<u>51,244</u>

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

<sup>2</sup> Revenue from general building works and associated services.

<sup>3</sup> Revenue from foundation and site formation works.

## 4 PROFIT BEFORE TAX

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
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	17,663	26,917
(Reversal)/impairment on trade receivables	(195)	571
Listing expenses	<u>15,461</u>	<u>1,375</u>

## 5 INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong profits tax:		
– Current income tax	4,825	4,604
– Underprovision in prior years	217	–
Deferred income tax	<u>97</u>	<u>297</u>
Income tax expense	<u>5,139</u>	<u>4,901</u>

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%.

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

## 6 EARNINGS PER SHARE

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

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.

## 7 DIVIDENDS

During the year ended 30 September 2018, dividends of HK\$15,064,000 were appropriated to the then shareholder of Peaceful Fluent International Limited (“**Peaceful Fluent**”), Precious Castle Holdings Limited (“**Precious Castle**”) and Mass Strength Limited (“**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 Limited, Fong On Construction Limited and Fong On Geotechnics Limited declared and paid dividends of HK\$1,200,000, HK\$1,200,000 and HK\$600,000 respectively, to their then shareholders.

## 8 TRADE AND OTHER RECEIVABLES

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

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:

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

## 9 SHARE CAPITAL

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

\* Less than HK\$1,000

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 Group Limited 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.

## 10 TRADE AND OTHER PAYABLES

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

*Note:*

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

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

## 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, and 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 16 October 2018 (the “**Listing**”) 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 on 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	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Foundation and site formation works	<b>124,061</b>	<b>32.7</b>	131,784	36.7
General building works and associated services	<b>178,684</b>	<b>47.1</b>	172,538	48.0
Other construction works	<b>65,515</b>	<b>17.2</b>	40,647	11.3
Construction related consultancy services	<b>11,315</b>	<b>3.0</b>	14,342	4.0
Total	<b><u>379,575</u></b>	<b><u>100.0</u></b>	<b><u>359,311</u></b>	<b><u>100.0</u></b>

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.

## **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.

## **LIQUIDITY AND FINANCIAL RESOURCES**

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 the total equity, was approximately 2.4% (2017: 0.04%).

## **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).

## **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).

## **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.

## **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).

## **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 of the Company dated 28 September 2018 (the "**Prospectus**") and will strive to achieve the milestone events as stated in the Prospectus.



## **USE OF PROCEEDS**

The net proceeds from the Share Offer (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK\$86.6 million which will be used for the intended purposes as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

## **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.

## **CAPITAL STRUCTURE**

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.

## **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.

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFILIATED 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 announcement, the Group did not have other plans for material investments or acquisition of capital assets as of 30 September 2018.

## **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 Listing Rules. The Company has fully complied with the CG Code since the date of the Listing up to the date of this announcement.

## **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 date of the Listing up to the date of this announcement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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.

## **AUDIT COMMITTEE**

The audit committee (the “**Audit Committee**”) of the Company was established on 17 September 2018. The chairman of the Audit Committee is Mr. Pang Ka Hang, the independent non-executive Director, and other members included Mr. Leung Bing Kwong Edward and Mr. Wong Chun Nam, 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.

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 Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 30 September 2018. The final results announcement of the Group for the year ended 30 September 2018 has been reviewed by the Audit Committee.

## **SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED**

The figures in respect of the Group's consolidated statement of financial position as at 30 September 2018, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 September 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 September 2018. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

## **APPRECIATION**

Dr. Lau Chi Wang, the chairman of the Board, would like to express his sincerest gratitude to the shareholders, customers, suppliers and subcontractors for the continuous support. He would also send his warmest thanks to all the management and staff members of the Group for the hard work and dedication prior to and after the Listing.

By order of the Board  
**Shing Chi Holdings Limited**  
**Lau Chi Wang**  
*Chairman and Executive Director*

Hong Kong, 21 December 2018

*As at the date of this announcement, the Board comprises Dr. Lau Chi Wang, Mr. Lau Chi Ming and Dr. Lau Chi Keung as executive Directors; Mr. Leung Bing Kwong Edward, Mr. Pang Ka Hang and Mr. Wong Chun Nam as independent non-executive Directors.*