

Sing On Holdings Limited

成安控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8352)

ANNOUNCEMENT OF FIRST QUARTERLY RESULT FOR THE THREE MONTHS ENDED 31 MARCH 2017

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This announcement, for which the directors (the “Directors”) of Sing On Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHT

For the three months ended 31 March 2017, the operating results of the Company and its subsidiaries (collectively, the “Group”) were as follows:

- Revenue amounted to approximately HK\$38.0 million (2016: approximately HK\$30.3 million), representing an increase of approximately 25.1% from the corresponding period of last year;
- Net profit amounted to approximately HK\$5.0 million (2016: approximately HK\$4.0 million), representing an increase of approximately 25.9% from the corresponding period of last year;
- Basic and diluted earnings per share based on weighted average number of ordinary shares was approximately HK\$0.99 cents (2016: approximately HK\$0.79 cents);
- The Directors do not recommend the payment of a dividend for the three months ended 31 March 2017 (2016: Nil).

FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 31 March 2017 (the “Reporting Period”), together with the audited comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2017

		Three months ended 31 March	
		2017	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Revenue	3	37,952	30,327
Cost of sales		<u>(24,855)</u>	<u>(20,421)</u>
Gross profit		13,097	9,906
Other income and net gains	3	–	673
Administrative and other operating expenses		<u>(6,500)</u>	<u>(5,600)</u>
Operating profit		6,597	4,979
Finance costs		<u>(104)</u>	<u>(69)</u>
Profit before income tax		6,493	4,910
Income tax expense	5	<u>(1,491)</u>	<u>(938)</u>
Profit and total comprehensive income for the period		<u>5,002</u>	<u>3,972</u>
		<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	7	<u>0.99</u>	<u>0.79</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

	Attributable to owners of the Company				Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	
Balance at 1 January 2016	1,348	14,998	–	23,907	40,253
Profit and total comprehensive income for the period	–	–	–	3,972	3,972
Effect of Reorganisation	(25)	–	–	–	(25)
Balance at 31 March 2016 (audited) (Note)	<u>1,323</u>	<u>14,998</u>	<u>–</u>	<u>27,879</u>	<u>44,200</u>
Balance at 1 January 2017	6,720	44,658	16,313	18,567	86,258
Profit and total comprehensive income for the period	–	–	–	5,002	5,002
Balance at 31 March 2017 (unaudited)	<u>6,720</u>	<u>44,658</u>	<u>16,313</u>	<u>23,569</u>	<u>91,260</u>

Note:

For the purpose of the preparation of the condensed consolidated statement of change in equity, the balance of the combined capital at 31 March 2016 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the Reorganisation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 January 2015 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 16 December 2016.

The address of the Company’s registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the Company’s principal place of business is Flat B, G/F, Fu Hop Factory Building, 209 and 211 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the provision of concrete demolition services in Hong Kong and Macau mainly as a subcontractor.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company’s shares on the GEM of the Stock Exchange (the “Reorganisation”), the group entities were under the control of Mr. Cheung Shek On (“Mr. Cheung”) and Mr. Chan Yuk Sing (“Mr. Chan”). Through the Reorganisation, the Company became the ultimate holding company of the companies now comprising the Group on 22 November 2016. Accordingly, for the purpose of the preparation of the unaudited condensed consolidated financial statements of the Group, the Company has been considered as the ultimate holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Cheung and Mr. Chan prior to and after the Reorganisation.

2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 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 (“HKICPA”). In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM Board of the Stock Exchange (“GEM Listing Rules”) and by the Hong Kong Companies Ordinance. The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements for the three months ended 31 March 2017 are consistent with those adopted in the annual financial statements of the Company for the year ended 31 December 2016. Amendments to HKFRSs effective for accounting period beginning on or after 1 January 2017 do not have a material impact on the Group.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 have not been audited by the Company’s independent auditors, but have been reviewed by the Company’s audit committee.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 are presented in Hong Kong dollars (“HK\$”), which is the same functional currency of the Company.

3 REVENUE

Revenue and other income and net gains recognised during the period are as follows:

	Three months ended	
	31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Revenue		
Provision of concrete demolition services	<u>37,952</u>	<u>30,327</u>
Other income and net gains		
Sundry income	–	1
Gain on disposal of property, plant and equipment	<u>–</u>	<u>672</u>
	<u>–</u>	<u>673</u>

The chief operating decision-maker has been identified as the board of the Company. The Board regards the Group's business as a single operating segment and reviews the consolidated financial statements accordingly.

Geographical information

The Group primarily operates in Hong Kong and Macau, and its revenue is derived from the following regions:

	Three months ended	
	31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Revenue (by location of customers)		
– Hong Kong	37,583	27,530
– Macau	<u>369</u>	<u>2,797</u>
	<u>37,952</u>	<u>30,327</u>

All of the Group's non-current assets are located in Hong Kong for both periods.

4 OPERATING PROFIT

An analysis of the amounts presented as operating items charged/(credited) in the financial information is given below:–

	Three months ended	
	31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Staff cost, including directors' remuneration	10,384	8,291
Depreciation of owned assets	796	363
Depreciation of assets under finance lease	173	470
(Loss)/ gain on disposal of property, plant and equipment	(5)	672
	<u>11,348</u>	<u>9,796</u>

5 INCOME TAX EXPENSE

For the three months ended 31 March 2017 and 2016 Hong Kong profits tax has been provided at the rate of 16.5% and Macau profits tax has been provided at the rate of 12% on the estimated assessable profit arising in or derived from the jurisdictions in which the entities operate for the period.

	Three months ended	
	31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Current tax		
– Hong Kong	1,138	788
– Macau	–	55
Prior year tax		
– Hong Kong	378	–
Deferred tax	(25)	95
	<u>1,491</u>	<u>938</u>

6 DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 March 2017 (2016: Nil).

7 EARNINGS PER SHARE

	Three months ended 31 March	
	2017 (Unaudited)	2016 (Audited)
Profit attributable to owners of the Company (HK\$'000)	5,002	3,972
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	504,000	504,000
Basic earnings per share (HK cents)	<u>0.99</u>	<u>0.79</u>

For the three months 31 March 2016, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of 504,000,000 shares (comprising 1,000 shares in issue and 503,999,000 shares to be issued under the capitalisation issue) as if these 504,000,000 shares were outstanding throughout the period.

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 three months ended 31 March 2017 (2016: Nil).

BUSINESS REVIEW AND OUTLOOK

The Group's principal activity is the provision of concrete demolition service in Hong Kong and Macau mainly as a subcontractor. Our services are mainly required in the removal of pieces or sections of concrete from concrete structures and the demolition of the entire concrete structures or buildings by applying a variety of methods, such as core drilling, sawing and crushing. Our services are required in many different situations including, among others, addition and alteration works and redevelopment projects in buildings, roads, tunnels and underground facilities.

We have been operating in the concrete demolition industry in Hong Kong since 1985. We have also been providing concrete demolition services in Macau since 2006. We are a registered subcontractor for general demolition and others (concrete coring and saw cutting) works under the Subcontractor Registration Scheme of the Construction Industry Council and a Registered Minor Works Contractor at the Buildings Department.

In general, our customers are main contractors in various types of construction and civil engineering projects in Hong Kong and construction projects in Macau. We undertake jobs in both public and private sectors. Public sector jobs refer to jobs which the main contractors are employed by the Hong Kong Government, the Macau Government or their respective related organisations or corporations, while private sector jobs refer to jobs that are not public sector jobs.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the policies of the Hong Kong Government as well as factors affecting the labour costs and material costs. According to the 2016-2017 Budget of the Hong Kong Government, the Hong Kong Government will invest about HK\$86.1 billion on infrastructure between 2016 and 2017. The amount was mainly derived from infrastructure investments and plans for increasing both land and housing. The Directors believe that the availability of private and public sector construction projects is expected to grow in the coming years, and with our experienced management team and reputation in the market, we can further strengthen our position as an established concrete demolition service provider by continuing to pursue the business strategies as set out in the prospectus of the Company dated 29 November 2016 (the “Prospectus”).

FINANCIAL REVIEW

During the Reporting Period, all of our Group’s revenue was derived from concrete demolition business in Hong Kong and Macau. The Group’s revenue for the Reporting Period was approximately HK\$38.0 million, representing an increase of approximately 25.1% from approximately HK\$30.3 million for the three months ended 31 March 2016. Such increase was mainly due to the increase in number of projects during the Reporting Period.

Our Group’s gross profit increased from approximately HK\$9.9 million for the three months ended 31 March 2016 to approximately HK\$13.1 million for the Reporting Period, and the gross profit margin for our Group increased from approximately 32.7% for the three months ended 31 March 2016 to approximately 34.5% for the Reporting Period. Such increase was mainly due to the less increment of the Group’s cost of sales during the Reporting Period which caused by the decrease of subcontracting charges.

Administrative expenses increased by HK\$0.9 million (representing an increase of approximately 16.1%) to HK\$6.5 for the Reporting Period, compared with HK\$5.6 million for the three months ended 31 March 2016, which mainly due to the increase in staff cost. Net profit increased by HK\$1.0 million to approximately HK\$5.0 million in the Reporting Period compared to HK\$4.0 million in the three months ended 31 March 2016 (representing an increase of approximately 25.9%) as a result of the simultaneous occurrence of the factors in the Reporting Period as discussed above.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interest and Short Position in Shares, Underlying Shares and Debentures

As at 31 March 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (“SFO”)) which were 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 they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long positions in ordinary shares of the Company

Name of director	Nature of interest	Number of shares held/ interested in	Percentage of shareholding
Mr. Cheung Shek On	Interest in a controlled corporation (<i>Note 1</i>)	189,000,000	28.125%
Mr. Chan Yuk Sing	Interest in a controlled corporation (<i>Note 2</i>)	189,000,000	28.125%

Notes:

1. Mr. Cheung Shek On (“Mr. Cheung”) beneficially owns 100% of the issued share capital of Sino Continent Holdings Limited (“Sino Continent”) which in turn owns 189,000,000 ordinary shares of the Company. By virtue of the SFO, Mr. Cheung is deemed to be interested in the same number of the Shares held by Sino Continent.
2. Mr. Chan Yuk Sing (“Mr. Chan”) beneficially owns 100% of the issued share capital of Supreme Voyage Limited (“Supreme Voyage”) which in turn owns 189,000,000 ordinary shares of the Company. By virtue of the SFO, Mr. Chan is deemed to be interested in the same number of the Shares held by Supreme Voyage.

Short positions in ordinary shares of the Company

As at 31 March 2017, there is no interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO).

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

So far as the Directors are aware, as at 31 March 2017, other than the director and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name of shareholder	Nature of interest	Number of shares held/ interested in	Long/short position	Percentage of total issued share capital of the Company
Sino Continent	Beneficial owner	189,000,000	Long	28.125%
Supreme Voyage	Beneficial owner	189,000,000	Long	28.125%
Applewood Developments Limited	Beneficial owner	126,000,000	Long	18.75%
Ms. Luk Pui Kei Peggy (Note 1)	Interest of spouse	189,000,000	Long	28.125%
Ms. Cho Bik Nung (Note 2)	Interest of spouse	189,000,000	Long	28.125%
Mr. Kwok Shun Tim	Interest in a controlled corporation (Note 3)	126,000,000	Long	18.75%
Ms. Yip Nga Wan (Note 4)	Interest of spouse	126,000,000	Long	18.75%

Notes:

1. Ms. Luk Pui Kei Peggy, the spouse of Mr. Cheung, is deemed under the SFO to be interested in all the Shares in which Mr. Cheung is deemed to be interested.
2. Ms. Cho Bik Nung, the spouse of Mr. Chan, is deemed under the SFO to be interested in all the Shares in which Mr. Chan is deemed to be interested.
3. Mr. Kwok beneficially owns 100% of the issued share capital of Applewood Developments Limited ("Applewood Developments"). By virtue of the SFO, Mr. Kwok is deemed to be interested in the same number of the Shares held by Applewood Developments.
4. Ms. Yip Nga Wan, the spouse of Mr. Kwok, is deemed under the SFO to be interested in all the Shares in which Mr. Kwok is deemed to be interested.

Short positions in shares of the Company:

Save as disclosed above, as at 31 March 2017, the Directors are not aware of any other persons/entities who had, or were deemed or taken to have any interests or short position in any shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

EMOLUMENT POLICY

The remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options to be granted under the share option scheme of the company adopted on 22 November 2016 (the “share option scheme”).

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Reporting Period.

INTEREST OF COMPLIANCE ADVISOR

As at 31 March 2017, as notified by the Company’s compliance advisor, Ample Capital Limited (the “Compliance Advisor”), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated 23 November 2016, neither the Compliance Advisor nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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 Reporting Period.

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code during the Reporting Period except the following deviation:

Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cheung is the Chairman and the chief executive officer of our Company. In view that Mr. Cheung has been operating and managing our Group since our establishment, our Board believes that it is in the best interest of our Group to have Mr. Cheung taking up both roles for effective management and business development. In addition, major decisions are made after consultation with the Board and appropriate Board committees, as well as senior management. The Board is therefore of the view that there are adequate safeguards in place to ensure the balance of power and authority within the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the shares of the Company (the “Code of Conduct”). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the Reporting Period.

DIVIDENDS

The Board did not recommend payment of interim dividend to shareholders of the Company for the Reporting Period (2016: Nil).

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme. The principal terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 March 2017.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) on 22 November 2016 with its written terms of reference in compliance with paragraphs C3.3 and C3.7 of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, nominate and monitor external auditors and to provide advices and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Mr. Chow Chun To, Mr. Chan Ngai Sang Kenny and Mr. Yam Chiu Fan Joseph, all being independent non-executive directors.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Reporting Period and is of the opinion that the unaudited condensed consolidated financial statements comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
Sing On Holdings Limited
Cheung Shek On
Chairman and Chief Executive Officer

Hong Kong, 9 May 2017

As at the date of this announcement, the executive Directors are Mr. Cheung Shek On and Mr. Chan Yuk Sing; the non-executive Director is Mr. Kuan Hong Kin Daniel; and the independent non-executive Directors are Mr. Chan Ngai Sang Kenny, Mr. Chow Chun To and Mr. Yam Chiu Fan Joseph.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.singon.com.hk.