

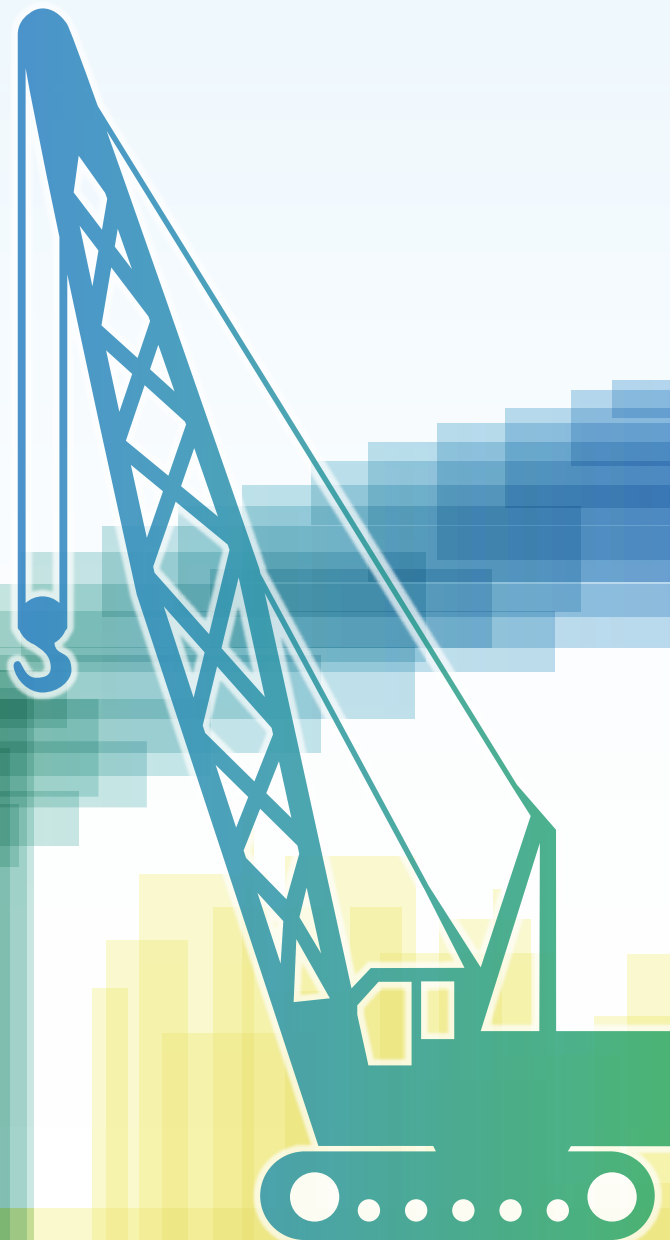
# Luen Wong Group Holdings Limited

## 聯旺集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 8217

### 2016 Interim Report

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## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of Luen Wong Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 report 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 report misleading.*

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### EXECUTIVE DIRECTORS

Mr. Wong Che Kwo (*Chairman*)  
Mr. Wong Wing Wah  
Mr. Chiu Chi Wang  
Mr. Wong Tak Ming

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Yan Chee James  
Mr. Tai Hin Henry  
Mr. Wong Chi Kan

#### COMPANY SECRETARY

Mr. Woo Yuen Fai

#### COMPLIANCE OFFICER

Mr. Wong Wing Wah

#### AUDIT COMMITTEE

Mr. Liu Yan Chee James (*Chairman*)  
Mr. Wong Chi Kan  
Mr. Tai Hin Henry

#### REMUNERATION COMMITTEE

Mr. Wong Chi Kan (*Chairman*)  
Mr. Wong Wing Wah  
Mr. Liu Yan Chee James

#### NOMINATION COMMITTEE

Mr. Wong Che Kwo (*Chairman*)  
Mr. Wong Chi Kan  
Mr. Tai Hin Henry

#### AUTHORISED REPRESENTATIVES

Mr. Woo Yuen Fai  
Mr. Wong Che Kwo

#### REGISTERED OFFICE

P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

#### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1505, 15/F  
Delta House  
3 On Yiu Street  
Shatin  
New Territories  
Hong Kong

#### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

#### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited  
Suite 3301-4  
Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

#### COMPLIANCE ADVISER

TC Capital International Limited

#### AUDITORS

Grant Thornton Hong Kong Limited

#### PRINCIPAL BANKERS

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

#### COMPANY WEBSITE

[www.luenwong.hk](http://www.luenwong.hk)

#### STOCK CODE

8217

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Group has over 16 years of experience in providing civil engineering works as a subcontractor in Hong Kong. The civil engineering works undertaken by the Group are mainly related to (i) roads and drainage works (including construction and improvement of local road, carriageway with junction improvement and the associated footpaths, planting areas, drains, sewers, water mains and utilities diversion); (ii) structural works (including construction of reinforced concrete structures for bridges and retaining walls); and (iii) site formation works (including excavation and/or filling works for forming a new site or achieving designed formation level for later development).

The Company's shares (the "Shares") were successfully listed (the "Listing") on the GEM on 12 April 2016 by way of placing (the "Placing"). 312,000,000 placing shares (comprising 208,000,000 new Shares offered by the Company and 104,000,000 sale Shares offered by the selling shareholder) were issued at HK\$0.26 per Share pursuant to the Placing. The net proceeds raised from the new Shares offered by the Company allow for the expansion of the Group through acquisition of additional site equipment and further strengthening our manpower.

The Directors considers that the demand for civil engineering works is expected to increase in the future due to various infrastructure development plans, notably the Ten Major Infrastructure Projects, and the planned increase in the Government's public expenditure on infrastructure, resulting in more business opportunities being presented to the market, and by acquiring more site equipment and further strengthening our manpower would in turn increase our chances in securing more projects in the future.

As the fact that most of the projects on hand are expected to be completed in late 2016 or early 2017, the Group is now actively participating in submitting tenders for new projects that start in 2017 to ensure that sustainable growth is maintained for the Group. At the same time, the Directors are also cautiously monitoring the overall construction costs with respect to the projects undertaken by the Group. Factors including but not limited to difficult geological conditions, adverse weather conditions, variations to the construction plans instructed by customers and other unforeseen problems or circumstances that occur during project implementation are common factors that affect the Group's profit as a subcontractor. The Directors will continue to carefully evaluate each projects and control the Group's overall costs to a reasonable level.

### FINANCIAL REVIEW

#### Revenue

All of the Group's revenue was generated from the provision of civil engineering works. The total revenue of the Group increased by approximately HK\$186,222,000 from approximately HK\$102,456,000 for the six months ended 30 September 2015 to approximately HK\$288,678,000 for the six months ended 30 September 2016. Such increase was mainly due to the growth of demand for civil engineering services and the increase in scale of contracts undertaken by the Group. We had 19 contracts on hand for both periods, however the contract sum for contracts on hand increased from approximately HK\$1,159,096,000 as at 30 September 2015 to approximately HK\$1,389,159,000 as at 30 September 2016.

### Gross Profit and Gross Profit Margin

The Group's gross profit increased significantly by approximately HK\$12,574,000 from approximately HK\$6,335,000 for the six months ended 30 September 2015 to approximately HK\$18,909,000 for the six months ended 30 September 2016. The Group's gross profit margin increased from approximately 6.2% for the six months ended 30 September 2015 to approximately 6.6% for the six months ended 30 September 2016, representing an increase of approximately 0.4 percentage points.

The gross profit margin varied substantially from project to project and is mainly attributable to our pricing, which is determined based on a cost-plus pricing model in general with mark-up determined on a project-by-project basis, further details are set out in the paragraph headed "Gross Profit and Gross Profit Margin" in the section headed "Management Discussion and Analysis" in the Company's 2016 annual report dated 27 June 2016.

### Other Income

Other income of the Group slightly increased by approximately HK\$66,000 or 20.4% from approximately HK\$324,000 for the six months ended 30 September 2015 to approximately HK\$390,000 for the six months ended 30 September 2016.

### Administrative Expenses

Administrative expenses of the Group increased by approximately HK\$2,705,000 or 44.7% from approximately HK\$6,051,000 for the six months ended 30 September 2015 to approximately HK\$8,756,000 for the six months ended 30 September 2016. Administrative expenses consist primarily of staff costs, depreciation, rental expenses, listing expenses and other administrative expenses. The increase was attributable to a general increase in professional fees such as legal consultation fees, safety consultation fees and advisory fees, an increase in staff costs due to the addition of administrative staff, an increase in handling charge charged by the bank to deal with factoring of certain accounts receivables from our major customer to the bank and an increase in insurance costs of the Group.

### Finance Costs

Finance costs for the Group slightly decreased by approximately HK\$15,000 or 5.9% from approximately HK\$254,000 for the six months ended 30 September 2015 to approximately HK\$239,000 for the six months ended 30 September 2016.

### Income Tax Expense

Income tax expense for the Group had increased by approximately HK\$1,738,000 from approximately HK\$786,000 for the six months ended 30 September 2015 to approximately HK\$2,524,000 for the six months ended 30 September 2016. Such increase was mainly due to recognition of deferred tax liability arising from excess of net book values of property, plant and equipment over tax values.

### **Profit and Total Comprehensive Income for the Period Attributable to Equity Holders of the Company**

Profit and total comprehensive income for the period attributable to equity holders of the Company increased by approximately HK\$7,778,000 from a loss of approximately HK\$432,000 for the six months ended 30 September 2015 to a profit of approximately HK\$7,346,000 for the six months ended 30 September 2016. Such increase was primarily attributable to the net effect of the increase in revenue, gross profit, administrative expenses and income tax expense for the six months ended 30 September 2016 as discussed above.

### **LIQUIDITY AND FINANCIAL RESOURCES**

Cash and bank balances are denominated in Hong Kong dollar. The current ratio of the Group as at 30 September 2016 was approximately 1.6 times as compared to that of approximately 1.2 times as at 31 March 2016. The increase was mainly due to the repayment of bank loans and finance lease liabilities with the cash generated from operations and the increase in cash in bank due to the proceeds received from Listing.

The total interest bearing debts of the Group, including bank borrowings, bank overdraft and finance lease liabilities, increased from approximately HK\$13,444,000 as at 31 March 2016 to approximately HK\$14,468,000 as at 30 September 2016. All borrowings are denominated in Hong Kong dollar and are repayable within 5 years. The Group did not carry out any hedging for its floating borrowings.

As at 30 September 2016, the Group had general banking facilities amounted to HK\$35,000,000 (31 March 2016: HK\$13,000,000) comprising invoice discounting/factoring facility of HK\$19,000,000, a bank overdraft facility of HK\$6,000,000 and a banking facility with a combined limit of HK\$10,000,000 (which consist of bank overdraft facility of HK\$3,000,000 and/or a clean import loan of HK\$10,000,000). As at 30 September 2016, the Group had bank term loans with outstanding balance of approximately HK\$12,068,000 (31 March 2016: approximately HK\$5,069,000) and utilised a bank overdraft of approximately HK\$1,089,000 (31 March 2016: approximately HK\$4,546,000). As at 30 September 2016, the bank overdraft facility was secured by a pledge of the land and building of the Group with carrying amount of approximately HK\$844,000 (31 March 2016: HK\$883,000) and a corporate guarantee given by the Company. The invoice discounting/factoring facility was secured by corporate guarantee given by the Company and a charge over receivables and proceeds on one of our customers with carrying amount of approximately HK\$10,058,000 (31 March 2016: Nil) whilst the banking facility was secured by investment in a life insurance policy with sum insured of US\$968,000 with carrying amount of approximately HK\$2,980,000 (31 March 2016: Nil) and a deposit of HK\$1,300,000 (31 March 2016: Nil).

As at 30 September 2016, the finance lease liabilities amounted to approximately HK\$1,311,000 (31 March 2016: approximately HK\$3,829,000).

The gearing ratio, calculated based on all interest-bearing borrowings and obligations under finance leases divided by total equity at the end of the period and multiplied by 100%, stood at approximately 17.3% as at 30 September 2016 (31 March 2016: approximately 49.6%). With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

## CAPITAL STRUCTURE

The Shares were successfully listed on GEM of the Stock Exchange on 12 April 2016. There has been no change in the capital structure of the Group since then. As at 30 September 2016, the Company's issued and fully paid capital and total equity attributable to equity holders of the Company amounted to approximately HK\$12,480,000 and HK\$83,593,000 respectively.

## COMMITMENTS

As at 30 September 2016, there was no capital commitment for the Group (31 March 2016: HK\$Nil).

## CONTINGENT LIABILITIES

As at 30 September 2016, the Group did not have any material contingent liabilities (31 March 2016: HK\$Nil).

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Save as disclosed in the section headed "COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS" and "USE OF PROCEEDS OBTAINED FROM THE LISTING AND CHANGE IN USE OF PROCEEDS" in this report, the Group did not have any significant investments, acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2016.

## EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's business operations were conducted in Hong Kong and the transactions, monetary assets and liabilities of the Group were denominated in Hong Kong dollars and United States Dollars. Since United States Dollars is linked to Hong Kong Dollars at the rate of United States Dollars 1 to Hong Kong Dollars 7.80, the Directors therefore consider the impact of foreign exchange exposure to the Group is minimal.

## CHARGE OVER GROUP'S ASSETS

The total interest bearing debts of the Group, including bank borrowings, bank overdraft and finance lease liabilities amounted to approximately HK\$14,468,000 as at 30 September 2016.

As at 30 September 2016, the Group had general banking facilities amounted to HK\$35,000,000 (31 March 2016: HK\$13,000,000) comprising invoice discounting/factoring facility of HK\$19,000,000, a bank overdraft facility of HK\$6,000,000 and a banking facility with a combined limit of HK\$10,000,000 (which consist of bank overdraft facility of HK\$3,000,000 and/or a clean import loan of HK\$10,000,000). As at 30 September 2016, the Group had bank term loans with outstanding balance of approximately HK\$12,068,000 (31 March 2016: approximately HK\$5,069,000) and utilised a bank overdraft of approximately HK\$1,089,000 (31 March 2016: approximately HK\$4,546,000). As at 30 September 2016, the bank overdraft facility was secured by a pledge of the land and building of the Group with carrying amount of approximately HK\$844,000 (31 March 2016: HK\$883,000) and a corporate guarantee given by the Company. The invoice discounting/factoring facility was secured by corporate guarantee given by the Company and a charge over receivables and proceeds on one of our customers with carrying amount of approximately HK\$10,058,000 (31 March 2016: Nil) whilst the banking facility was secured by investment in a life insurance policy with sum insured of US\$968,000 with carrying amount of approximately HK\$2,980,000 (31 March 2006: Nil) and a deposit of HK\$1,300,000 (31 March 2016: Nil).



As at 30 September 2016, the finance lease liabilities amounted to approximately HK\$1,311,000 (31 March 2016: approximately HK\$3,829,000).

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2016, the Group had approximately 225 employees (31 March 2016: 230 employees). The total staff costs incurred, including Directors' emoluments, of the Group were approximately HK\$41,585,000 for the six months ended 30 September 2016 (six months ended 30 September 2015: approximately HK\$29,454,000). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses were offered with reference to the Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, we offer other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

## INTERIM DIVIDEND

The board of directors (the "Board") did not recommend a payment of an interim dividend for the six months ended 30 September 2016 and 2015.

## COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives set out in the prospectus of the Company dated 31 March 2016 (the "Prospectus") with the Group's actual business progress for the period from 12 April 2016 (the "Listing Date") to 30 September 2016 is set out below:

### Business objectives up to 30 September 2016

#### Acquisition of additional site equipment

- Purchase three hydraulic truck cranes, three motor vehicles and three generators for us in our projects
- Evaluate the effectiveness and efficiency of site equipment and obtain quotation for new site equipment

#### Further strengthening our manpower

- Recruit three crane operators, two engineers, one project manager, one foreman and one administrative staff
- Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses

### Actual Business Progress up to 30 September 2016

The Group has used approximately HK\$17,324,000 for purchasing four hydraulic truck cranes, three motor vehicles and three generators for use in our projects.

The Group will continue monitoring the effectiveness and efficiency of the site equipment on hand.

The Group recruited three crane operators, two engineers, one project manager, one foreman and one administrative staff to cope with the business development with staff costs of approximately HK\$1,196,000. During the six months ended 30 September 2016, one crane operator resigned and the Group is in the process of hiring a replacement.

The Group sponsored our existing and newly recruited staff to attend various training courses organized by third parties.

## USE OF PROCEEDS OBTAINED FROM THE LISTING AND CHANGE IN USE OF PROCEEDS

The net proceeds from the share offer received by the Company in relation to the Listing, after deducting listing related expenses, were approximately HK\$35.7 million. An analysis of the utilization of the net proceeds from the Listing Date up to 30 September 2016 is set out below:

|   | <b>Planned use of net<br/>proceeds as<br/>stated in the<br/>Prospectus up to<br/>30 September 2016</b> | <b>Actual use of net<br/>proceeds up to<br/>30 September 2016</b> |
|---|--|---|
|   | <i>HK\$ million</i>  | <i>HK\$ million</i>   |
| Acquisition of additional site equipment  | 17.3   | 17.3  |
| Further strengthening our manpower        | 6.8  | 1.2   |
| Repayment of bank loans and finance lease | 6.7  | 6.7   |
| General working capital of the Group      | 3.3  | 3.3   |

We refer to the announcement of the Company dated 21 June 2016 regarding a change in use of proceeds. The Board resolved to change the use of net proceeds from the Placing by acquiring four (one large and three small) hydraulic truck cranes instead of three (large) hydraulic truck cranes. The Board noted from the 2016-17 Budget released by the Government on 1 April 2016 that most of the projects of the Highways Department that are in the planning stage or under investigation and preliminary design stage are expected to be carried out in urban areas. Large hydraulic truck cranes are not as suitable for use in smaller construction sites with limited space, such as in urban areas, while smaller hydraulic truck crane are suitable for use in most construction sites and hence, provides greater flexibility. Having considered the above reason, the Board considers that acquiring the proposed composition of one large and three small hydraulic truck cranes would be more suitable as most of the upcoming projects of the Highways Department are expected to be carried out in urban areas.

The Board considers that the change in the use of net proceeds would meet the needs of our Group more efficiently and enhance the flexibility of our Group and is in the interests of the Company and the shareholders of the Company (the "Shareholders") as a whole.

## PRINCIPAL RISK AND UNCERTAINTIES

The Group's financial position, results of operations and business prospects may be affected by a number of risks and uncertainties directly and indirectly pertaining to the Group's business. The following are the key risks and uncertainties identified by the Group:

- (i) A significant portion of our revenue was derived from a small number of customers. Our five largest customers' revenue contribution for the six months ended 30 September 2016 was 100% (six months ended 30 September 2015: 97.7%) of our total revenue, while our largest customer accounted for approximately 78.2% during the six months ended 30 September 2016 (six months ended 30 September 2015: 38.4%). There is no assurance that we will be able to retain our customers upon expiry of the contract period and to obtain suitable projects of a comparable size and quantity as replacement, failing to do so will have a material impact on our financial conditions and operating results;
- (ii) Error or inaccurate estimation of project duration and costs when determining the tender price or increase in construction costs may adversely affect the Group's profitability or result in substantial loss;
- (iii) If net cash outflows to pay certain operating expenditures do not align with progress payments to be received at any particular period of time, our cash flow position may be adversely affected;
- (iv) The Group's success is attributable to the contribution of, among others, our senior management personnel and in-house professional. The Group relies on the professional knowledge, experience and expertise of our senior management and in-house professional to facilitate the formulation of competitive tenders and in deciding the best suitable construction methodology in order to carry out our project works in an efficient manner while being able to meet customers' demand. Fail to hire in a timely manner and to retain suitable, skilled and qualified senior management personnel and in-house professional to meet our construction needs could adversely impact our business, results of operation and profitability of the Group; and
- (v) The Group's operations are conducted outdoors and are affected by weather conditions. If we have to halt operations during inclement weather conditions or a natural disaster, we may continue to incur operating expenses while we experience reduced revenues and profitability, our revenue, costs, financial conditions and growth potentials will be adversely affected.

## DISCLOSURE OF INTERESTS

### A. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2016, interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required (i) 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) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### (i) Long position in the Shares

| Name of Director | Capacity/Nature                             | Number of Shares held/interested | Percentage of shareholding |
|------------------|---|----------------------------------|----------------------------|
| Wong Che Kwo     | Interest of a controlled corporation (Note) | 936,000,000                      | 75%                        |
| Wong Wing Wah    | Interest of a controlled corporation (Note) | 936,000,000                      | 75%                        |

Note: These shares are held by Blooming Union Investments Limited ("Blooming Union"), the entire issued share capital of which is legally and beneficially owned as to 50% by Mr. Wong Che Kwo and 50% by Mr. Wong Wing Wah. Therefore, Mr. Wong Che Kwo and Mr Wong Wing Wah are deemed or taken to be interested in all the Shares held by Blooming Union for the purpose of the SFO.

#### (ii) Long position in the ordinary shares of associated corporations

| Name of Director | Number of associated corporation | Capacity/Nature  | Number of Shares held/interested | Percentage of shareholding |
|------------------|----------------------------------|------------------|----------------------------------|----------------------------|
| Wong Che Kwo     | Blooming Union                   | Beneficial owner | 1                                | 50%                        |
| Wong Wing Wah    | Blooming Union                   | Beneficial owner | 1                                | 50%                        |

Save as disclosed above, as at 30 September 2016, none of the Directors nor chief executive of the Company has registered an interest or short positions in the Shares, underlying shares or 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 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 Rules 5.46 to 5.67 of the GEM Listing Rules.

## B. SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2016, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company), had interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

| Name of Shareholder | Capacity/Nature                      | Number of Shares held/interested | Percentage of shareholding |
|---------------------|--------------------------------------|----------------------------------|----------------------------|
| Blooming Union      | Beneficial owner                     | 936,000,000                      | 75%                        |
| Law Oi Ling         | Interest of spouse ( <i>Note 1</i> ) | 936,000,000                      | 75%                        |
| Lai Siu Kuen        | Interest of spouse ( <i>Note 2</i> ) | 936,000,000                      | 75%                        |

*Note:*

- Ms. Law Oi Ling, the spouse of Mr. Wong Che Kwo, is deemed, or taken to be, interested in all Shares in which, Mr. Wong Che Kwo is interested for the purpose of the SFO.
- Ms. Lai Siu Kuen, the spouse of Mr. Wong Wing Wah is deemed, or taken to be, interest in all Shares in which, Mr. Wong Wing Wah is interested for the purpose of the SFO.

Save as disclosed above, as at 30 September 2016 and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## COMPETING INTERESTS

The Directors confirm that none of the controlling Shareholders (as defined in the GEM Listing Rules) or the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the six months ended 30 September 2016.

## INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Group has appointed TC Capital International Limited as our compliance adviser, which will provide advice and guidance to the Group in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Except for the compliance adviser agreement entered into between the Company and our compliance adviser dated on 31 March 2016, neither our compliance advisor nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after the Listing Date and up to the period ended 30 September 2016.

## CORPORATE GOVERNANCE CODE

Save as disclosed below, the Directors consider that since the Listing Date to 30 September 2016, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 of the GEM Listing Rules. Under code provision A.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Upon Listing, the Company sought to buy directors and officers liability insurance for the Directors. However, as the process of negotiation took some time, the said insurance was not bought until 25 April 2016. As such, the Company had not maintained directors and officers liability insurance for the Directors from the Listing Date to 24 April 2016. However, starting from 25 April 2016, the Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force.

## CODE OF CONDUCT FOR 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 from the Listing Date to 30 September 2016.

## DISCLOSURE REQUIRED UNDER RULE 17.50(2) OF THE GEM LISTING RULES

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information in relation to the Directors that is required to be disclosed pursuant to Rules 17.50(2) of the GEM Listing Rules as at the date of this report.

## SHARE OPTION SCHEME

The share option scheme of the Company (the “Share Option Scheme”) has been adopted by way of shareholder’s written resolution passed on 24 March 2016. The 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 since the adoption of the Scheme and there was no share option outstanding as at 30 September 2016.

## AUDIT COMMITTEE

An audit committee has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the CG Code. The audit committee consists of three members, namely Mr. Liu Yan Chee James, Mr. Wong Chi Kan and Mr. Tai Hin Henry, all being independent non-executive Directors. Mr. Liu Yan Chee James currently serves as the chairman of the audit committee.

The committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of our Group, and as to the adequacy of the external and internal audits.

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 September 2016 and is of the view that such results complied with the applicable accounting standards, principles and policies, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board  
**Wong Che Kwo**  
*Chairman and Executive Director*

14 November 2016

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

For the six months ended 30 September 2016

|  | Note | Three months ended<br>30 September |                                 | Six months ended<br>30 September |                                 |
|--|------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
|  |      | 2016<br>HK\$'000<br>(unaudited)    | 2015<br>HK\$'000<br>(unaudited) | 2016<br>HK\$'000<br>(unaudited)  | 2015<br>HK\$'000<br>(unaudited) |
| <b>Revenue</b>   | 4    | <b>131,538</b>                     | 50,419                          | <b>288,678</b>                   | 102,456                         |
| Cost of sales  |      | <b>(124,606)</b>                   | (45,841)                        | <b>(269,769)</b>                 | (96,121)                        |
| <b>Gross profit</b>  |      | <b>6,932</b>                       | 4,578                           | <b>18,909</b>                    | 6,335                           |
| Other income   | 6    | <b>220</b>                         | 133                             | <b>390</b>                       | 324                             |
| Administrative and other<br>operating expenses   | 7    | <b>(2,050)</b>                     | (5,517)                         | <b>(8,756)</b>                   | (6,051)                         |
| <b>Profit/(Loss) from operations</b>   |      | <b>5,102</b>                       | (806)                           | <b>10,543</b>                    | 608                             |
| Finance costs  | 8    | <b>(140)</b>                       | (129)                           | <b>(239)</b>                     | (254)                           |
| <b>Profit/(Loss) before income tax</b>   | 9    | <b>4,962</b>                       | (935)                           | <b>10,304</b>                    | 354                             |
| Income tax expense   | 10   | <b>(885)</b>                       | (587)                           | <b>(2,524)</b>                   | (786)                           |
| <b>Profit/(Loss) for the period</b>  |      | <b>4,077</b>                       | (1,522)                         | <b>7,780</b>                     | (432)                           |
| <b>Other comprehensive expense</b>   |      |                                    |                                 |                                  |                                 |
| Item that will be reclassified<br>subsequently to profit or loss:  |      |                                    |                                 |                                  |                                 |
| Change in fair value of investment<br>in a life insurance policy   |      | <b>(434)</b>                       | –                               | <b>(434)</b>                     | –                               |
| <b>Total comprehensive<br/>income/(expense) for the period<br/>attributable to equity holders of<br/>the Company</b> |      | <b>3,643</b>                       | (1,522)                         | <b>7,346</b>                     | (432)                           |
|  |      | <b>HK cents</b>                    | HK cents                        | <b>HK cents</b>                  | HK cents                        |
| <b>Earnings/(Loss) per share attributable to<br/>equity holders of the Company</b>                                   |      |                                    |                                 |                                  |                                 |
| Basic and diluted  | 13   | <b>0.33</b>                        | (0.15)                          | <b>0.63</b>                      | (0.04)                          |



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)***As at 30 September 2016*

|  | Note | As at<br>30 September<br>2016<br>HK\$'000<br>(unaudited) | As at<br>31 March<br>2016<br>HK\$'000<br>(audited) |
|--|------|--|--|
| <b>ASSETS AND LIABILITIES</b>                |      |  |  |
| <b>Non-current assets</b>                    |      |  |  |
| Property, plant and equipment                | 14   | 31,322   | 13,700   |
| Investment in a life insurance policy        | 15   | 2,980  | –  |
|  |      | <b>34,302</b>  | 13,700   |
| <b>Current assets</b>                        |      |  |  |
| Amounts due from customers for contract work | 16   | 26,382   | 20,200   |
| Trade and other receivables                  | 17   | 90,832   | 63,638   |
| Cash and bank balances                       | 18   | 27,481   | 13,826   |
|  |      | <b>144,695</b>   | 97,664   |
| <b>Current liabilities</b>                   |      |  |  |
| Trade and other payables                     | 19   | 47,094   | 46,988   |
| Amounts due to customers for contract work   | 16   | 27,304   | 19,747   |
| Amounts due to directors                     | 20   | –  | 76   |
| Obligations under finance leases             | 21   | 682  | 1,614  |
| Bank loans and overdraft                     | 22   | 13,157   | 9,615  |
| Tax payable                                  |      | 2,882  | 2,577  |
|  |      | <b>91,119</b>  | 80,617   |
| <b>Net current assets</b>                    |      | <b>53,576</b>  | 17,047   |
| <b>Total assets less current liabilities</b> |      | <b>87,878</b>  | 30,747   |

|   | Note | As at<br>30 September<br>2016<br>HK\$'000<br>(unaudited) | As at<br>31 March<br>2016<br>HK\$'000<br>(audited) |
|---|------|--|--|
| <b>Non-current liabilities</b>  |      |  |  |
| Obligations under finance leases                                      | 21   | 629  | 2,215  |
| Deferred tax liabilities  |      | 3,656  | 1,437  |
|   |      | <b>4,285</b>   | 3,652  |
| <b>Net assets</b>   |      | <b>83,593</b>  | 27,095   |
| <b>CAPITAL AND RESERVES</b>   |      |  |  |
| Share capital   | 23   | 12,480   | –  |
| Reserves  |      | 71,113   | 27,095   |
| <b>Total equity attributable to equity holders<br/>of the Company</b> |      | <b>83,593</b>  | 27,095   |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

For the six months ended 30 September 2016

|   | Total equity attributable to equity holders of the Company |                           |  |                              |                                |                                  | Total equity<br>HK\$'000 |
|---|--|---------------------------|--|------------------------------|--------------------------------|----------------------------------|--------------------------|
|   | Share capital<br>HK\$'000                                  | Share premium<br>HK\$'000 | Available-<br>for-sale<br>financial<br>assets<br>reserve<br>HK\$'000 | Other<br>reserve<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Retained<br>earnings<br>HK\$'000 |                          |
| Balance as at 1 April 2015  | -  | -                         | -  | -                            | 3,820                          | 4,484                            | 8,304                    |
| Loss and total<br>comprehensive expense<br>for the period   | -  | -                         | -  | -                            | -                              | (432)                            | (432)                    |
| Balance as at<br>30 September 2015<br>(unaudited)   | -  | -                         | -  | -                            | 3,820                          | 4,052                            | 7,872                    |
| Balance as at<br>1 April 2016   | -  | -                         | -  | 10,400                       | 3,820                          | 12,875                           | 27,095                   |
| Issuance of ordinary shares<br>pursuant to the Placing  | 2,080  | 52,000                    | -  | -                            | -                              | -                                | 54,080                   |
| Issuance of ordinary shares<br>pursuant to the<br>Capitalisation Issue                              | 10,400   | (10,400)                  | -  | -                            | -                              | -                                | -                        |
| Expenses incurred in<br>connection with the<br>issuance of ordinary shares                          | -  | (4,928)                   | -  | -                            | -                              | -                                | (4,928)                  |
| Transactions with equity<br>holders   | 12,480   | 36,672                    | -  | -                            | -                              | -                                | 49,152                   |
| Profit for the period   | -  | -                         | -  | -                            | -                              | 7,780                            | 7,780                    |
| Other comprehensive expense:<br>Change in fair value of<br>investment in a life<br>insurance policy | -  | -                         | (434)  | -                            | -                              | -                                | (434)                    |
| Total comprehensive<br>income   | -  | -                         | (434)  | -                            | -                              | 7,780                            | 7,346                    |
| <b>Balance as at<br/>30 September 2016<br/>(unaudited)</b>  | <b>12,480</b>  | <b>36,672</b>             | <b>(434)</b>   | <b>10,400</b>                | <b>3,820</b>                   | <b>20,655</b>                    | <b>83,593</b>            |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)***For the six months ended 30 September 2016*

|  | Note | Six months ended<br>30 September |                                 |
|--|------|----------------------------------|---------------------------------|
|  |      | 2016<br>HK\$'000<br>(unaudited)  | 2015<br>HK\$'000<br>(unaudited) |
| Net cash (used in)/generated from operating activities   |      | (12,786)                         | 7,015                           |
| Net cash used in investing activities                    |      | (24,796)                         | (396)                           |
| Net cash generated from/(used in) financing activities   |      | 53,394                           | (1,924)                         |
| <b>Net increase in cash and cash equivalents</b>         |      | <b>15,812</b>                    | <b>4,695</b>                    |
| Cash and cash equivalents at the beginning of the period |      | 9,280                            | 418                             |
| <b>Cash and cash equivalent at the end of the period</b> | 18   | <b>25,092</b>                    | <b>5,113</b>                    |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 October 2015. The address of the Company's registered office and principal place of business are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit 1505, 15/F, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong respectively.

The Company is an investment holding company and the Group are principally engaged in the provision of civil engineering works and investment holding.

The Company's immediate and ultimate holding company is Blooming Union Investments Limited ("Blooming Union"), a company incorporated and domiciled in the British Virgin Islands. The directors consider the ultimate controlling shareholders of the Company to be Mr. Wong Che Kwo and Mr. Wong Wing Wah (collectively referred to as the "Controlling Shareholders").

The Company's shares are listed on the GEM of the Stock Exchange on 12 April 2016.

### 2. BASIS OF PRESENTATION

Pursuant to a group reorganisation of the Company in connection with the listing of its shares on the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 22 February 2016.

Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History and Development" in the Company's prospectus dated 31 March 2016. The Group is under the common control of the Controlling Shareholders prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The unaudited interim financial report of the Group has been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the six months ended 30 September 2015, or since their respective dates of incorporation/establishment, where it is a shorter period.

### 3. BASIS OF PREPARATION

The unaudited interim financial report of the Group for the six months ended 30 September 2016 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited interim financial report should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2016. The accounting policies used in the preparation of the unaudited interim financial report are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 March 2016, except for the accounting policy as disclosed below.

#### Financial assets

Financial assets of the Group are also classified into available-for-sale financial assets.

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in the profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the profit or loss, and other changes are recognised in other comprehensive income.

#### *Impairment of financial assets*

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in the profit or loss.

HKICPA has issued a number of new and amended HKFRSs. For those which are effective for accounting period beginning on 1 April 2016, the adoption of these amended HKFRSs had no material impact on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. The Group has not early adopted any new and amended HKFRSs that are relevant to the Group have been issued but are not yet effective for the current accounting period.

The unaudited interim financial report has been prepared on the historical cost basis, except for available-for-sale financial assets which are stated at fair value.

The unaudited interim financial report is presented in Hong Kong Dollars ("HK\$"), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands ("HK\$'000"), except when otherwise indicated.

The preparation of the unaudited interim financial report in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the accounting policies of the Group.

The unaudited interim financial report has not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

#### **4. REVENUE**

Revenue represents the consideration received and receivable from the provision of civil engineering works.

## 5. SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing primarily on the provision of civil engineering works. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision maker ("CODM"), being the executive directors of the Company. The CODM mainly reviews revenue derived from the provision of civil engineering works. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly other than the entity-wide disclosure, no segment analysis is presented.

### (a) Geographical information

The Group's operations are located in Hong Kong and all the revenue of the Group were derived from Hong Kong customers. The Group's non-current assets are located in Hong Kong.

### (b) Major customers

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

|            | Three months ended<br>30 September |                                 | Six months ended<br>30 September |                                 |
|------------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
|            | 2016<br>HK\$'000<br>(unaudited)    | 2015<br>HK\$'000<br>(unaudited) | 2016<br>HK\$'000<br>(unaudited)  | 2015<br>HK\$'000<br>(unaudited) |
| Customer 1 | 102,643                            | N/A (Note)                      | 225,950                          | N/A (Note)                      |
| Customer 2 | 17,370                             | 18,929                          | 39,583                           | 39,356                          |
| Customer 3 | N/A (Note)                         | 9,810                           | N/A (Note)                       | 28,548                          |
| Customer 4 | N/A (Note)                         | 8,829                           | N/A (Note)                       | 14,916                          |
| Customer 5 | N/A (Note)                         | 7,096                           | N/A (Note)                       | 11,063                          |

Note: The corresponding revenue did not individually contribute over 10% of the Group's revenue during the corresponding periods.

## 6. OTHER INCOME

|               | Three months ended<br>30 September |                                 | Six months ended<br>30 September |                                 |
|---------------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
|               | 2016<br>HK\$'000<br>(unaudited)    | 2015<br>HK\$'000<br>(unaudited) | 2016<br>HK\$'000<br>(unaudited)  | 2015<br>HK\$'000<br>(unaudited) |
| Rental income | –                                  | 30                              | –                                | 105                             |
| Sundry income | 220                                | 103                             | 390                              | 219                             |
|               | 220                                | 133                             | 390                              | 324                             |

## 7. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

|   | Three months ended<br>30 September |                                 | Six months ended<br>30 September |                                 |
|---|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
|   | 2016<br>HK\$'000<br>(unaudited)    | 2015<br>HK\$'000<br>(unaudited) | 2016<br>HK\$'000<br>(unaudited)  | 2015<br>HK\$'000<br>(unaudited) |
| Staff costs, including directors' emoluments    | 757                                | 430                             | 1,360                            | 593                             |
| Depreciation                                    | 84                                 | 135                             | 174                              | 315                             |
| Rental fees, building management fees and rates | 78                                 | 81                              | 153                              | 166                             |
| Utility expenses                                | 36                                 | 35                              | 79                               | 60                              |
| Insurance expenses                              | 596                                | 270                             | 1,177                            | 271                             |
| Professional fees                               | 326                                | 18                              | 1,315                            | 18                              |
| Audit fee                                       | 50                                 | –                               | 100                              | –                               |
| Listing expenses                                | –                                  | 4,476                           | 3,737                            | 4,476                           |
| Others  | 123                                | 72                              | 661                              | 152                             |
|   | <b>2,050</b>                       | <b>5,517</b>                    | <b>8,756</b>                     | <b>6,051</b>                    |

## 8. FINANCE COSTS

|  | Three months ended<br>30 September |                                 | Six months ended<br>30 September |                                 |
|--|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
|  | 2016<br>HK\$'000<br>(unaudited)    | 2015<br>HK\$'000<br>(unaudited) | 2016<br>HK\$'000<br>(unaudited)  | 2015<br>HK\$'000<br>(unaudited) |
| Finance charges on obligations under finance leases                      | 23                                 | 54                              | 60                               | 88                              |
| Interests on bank loans and overdraft wholly repayable within five years | 117                                | 75                              | 179                              | 166                             |
|  | <b>140</b>                         | <b>129</b>                      | <b>239</b>                       | <b>254</b>                      |



## 9. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(Loss) before income tax is arrived at after charging/(crediting):

|   | Three months ended<br>30 September |                                 | Six months ended<br>30 September |                                 |
|---|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
|   | 2016<br>HK\$'000<br>(unaudited)    | 2015<br>HK\$'000<br>(unaudited) | 2016<br>HK\$'000<br>(unaudited)  | 2015<br>HK\$'000<br>(unaudited) |
| Auditors' remuneration  | 50                                 | –                               | 100                              | –                               |
| Depreciation:   |                                    |                                 |                                  |                                 |
| – own assets  | 1,025                              | 360                             | 1,816                            | 713                             |
| – leased assets   | 188                                | 293                             | 375                              | 562                             |
| Depreciation of investment property                                       | –                                  | 93                              | –                                | 232                             |
| Loss on disposal of property,<br>plant and equipment, net                 | –                                  | –                               | 47                               | 63                              |
| Site equipment rental costs<br>(included in cost of sales)                | 9,370                              | 7,533                           | 20,549                           | 21,011                          |
| Operating lease charges in<br>respect of premises and<br>office equipment | 64                                 | 58                              | 127                              | 126                             |
| Subcontracting charges<br>(included in cost of sales)                     | 34,974                             | 13,722                          | 70,905                           | 23,240                          |
| Rental income less direct outgoings                                       | –                                  | (18)                            | –                                | (82)                            |

## 10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the periods ended 30 September 2016 and 2015.

|                         | Three months ended<br>30 September |                                 | Six months ended<br>30 September |                                 |
|-------------------------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
|                         | 2016<br>HK\$'000<br>(unaudited)    | 2015<br>HK\$'000<br>(unaudited) | 2016<br>HK\$'000<br>(unaudited)  | 2015<br>HK\$'000<br>(unaudited) |
| <b>Current tax</b>      |                                    |                                 |                                  |                                 |
| – Hong Kong profits tax | 289                                | –                               | 305                              | –                               |
| – Deferred tax          | 596                                | 587                             | 2,219                            | 786                             |
| Income tax expense      | 885                                | 587                             | 2,524                            | 786                             |

**11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)**

|   | Three months ended<br>30 September |                                 | Six months ended<br>30 September |                                 |
|---|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
|   | 2016<br>HK\$'000<br>(unaudited)    | 2015<br>HK\$'000<br>(unaudited) | 2016<br>HK\$'000<br>(unaudited)  | 2015<br>HK\$'000<br>(unaudited) |
| Salaries, wages and other benefits                        | 15,056                             | 10,888                          | 32,094                           | 25,950                          |
| Contributions to defined<br>contribution retirement plans | 682                                | 433                             | 1,367                            | 945                             |
|   | <b>15,738</b>                      | 11,321                          | <b>33,461</b>                    | 26,895                          |

**12. DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 and 2015.

**13. EARNINGS/(LOSS) PER SHARE**

The calculation of basic earnings/(loss) per share attributable to equity holders of the Company is based on the following:

|   | Three months ended<br>30 September |                                 | Six months ended<br>30 September |                                 |
|---|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
|   | 2016<br>HK\$'000<br>(unaudited)    | 2015<br>HK\$'000<br>(unaudited) | 2016<br>HK\$'000<br>(unaudited)  | 2015<br>HK\$'000<br>(unaudited) |
| <b>Earnings/(Loss)</b>  |                                    |                                 |                                  |                                 |
| Profit/(Loss) for the period attributable to<br>equity holders of the Company | 4,077                              | (1,522)                         | 7,780                            | (432)                           |
| <b>Number of shares</b>   |                                    |                                 |                                  |                                 |
| Weighted average number of<br>ordinary shares (in thousands)                  | 1,248,000                          | 1,040,000                       | 1,236,571                        | 1,040,000                       |

The weighted average number of ordinary shares for the periods ended 30 September 2015 have been adjusted retrospectively on the assumption that the Reorganisation and the Capitalisation Issue (note 23) had been effective on 1 April 2015.

There were no dilutive potential ordinary shares during the periods ended 30 September 2016 and 2015 and therefore, diluted earnings per share equals to basic earnings per share.

**14. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 September 2016, the Group acquired property, plant and equipment of approximately HK\$19,878,000 (six months ended 30 September 2015: HK\$2,022,000). Property, plant and equipment with net book value of approximately HK\$65,000 (six months ended 30 September 2015: HK\$319,000) were disposed of during the six months ended 30 September 2016, resulting in a net loss on disposal of approximately HK\$47,000 (six months ended 30 September 2015: HK\$63,000).

## 15. INVESTMENT IN A LIFE INSURANCE POLICY

During the six months ended 30 September 2016, the Group entered into a life insurance policy with an insurance company to insure Mr. Wong Wing Wah (the "Insured"), a director of the Company. The total sum insured is US\$980,000 (equivalent to approximately HK\$7,615,000). The Group is the policy holder and the beneficiary of the policy. The Group has paid an one-off premium of US\$468,000 (equivalent to approximately HK\$3,636,400). The Group can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of termination. The cash value is determined by the premium payment plus accumulated interest earned minus the accumulated insurance policy charges and any full or partial surrender charge ("Cash Value").

The insurance premium is charged by the insurance company at 6% on one-off premium initially. In addition, a policy expense charge will be charged by the insurance company for the provision of the insurance benefits on the death of the insured at the range from 0.8512% to 29.7494% per annum throughout the policy.

In addition, if the termination and withdrawal of the policy are made between the 1st to 18th policy year, there is a specified amount of surrender charge. The surrender charge in full or partial termination would be calculated based on the number of years the policy has been in force and charged at the range from 1.3% to 11.92% of the one-off premium. The insurance company will pay the Group an interest on the outstanding Cash Value of the policy at the prevailing interest rate fixed by the insurance company and a minimum guaranteed interest of 2% per annum is guaranteed by the insurance company.

The investment in a life insurance policy is denominated in United States dollars ("US\$") and the fair value is determined with reference to the Cash Value as provided by the insurance company.

As at 30 September 2016, the Group's investment in a life insurance policy with an aggregate carrying amount of approximately HK\$2,980,000 (31 March 2016: Nil) was pledged to secure bank loan of the Group (note 22).

The fair value measurement hierarchy of the Group's investment in a life insurance policy is as follows:

|   | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Level 3<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| <b>As at 30 September 2016</b>          |                     |                     |                     |                   |
| Financial assets:                       |                     |                     |                     |                   |
| – Investment in a life insurance policy | –                   | 2,980               | –                   | 2,980             |
| <b>As at 31 March 2016</b>              |                     |                     |                     |                   |
| Financial assets:                       |                     |                     |                     |                   |
| – Investment in a life insurance policy | –                   | –                   | –                   | –                 |

During the six months ended 30 September 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The fair value of investment in a life policy is determined by reference to the Cash Value as provided by the insurance company.

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

|  | <b>As at<br/>30 September<br/>2016<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31 March<br>2016<br>HK\$'000<br>(audited) |
|--|---|--|
| Contract costs incurred plus recognised profits<br>less recognised losses          | <b>719,751</b>  | 562,807  |
| Less: progress billings  | <b>(720,673)</b>  | (562,354)  |
|  | <b>(922)</b>  | 453  |
| Recognised and included in the consolidated statement<br>of financial position as: |   |  |
| – Amounts due from customers for contract work                                     | <b>26,382</b>   | 20,200   |
| – Amounts due to customers for contract work                                       | <b>(27,304)</b>   | (19,747)   |
|  | <b>(922)</b>  | 453  |

All amounts due from/to customers for contract work are expected to be recovered/settled within one year.

## 17. TRADE AND OTHER RECEIVABLES

|   | <b>As at<br/>30 September<br/>2016<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31 March<br>2016<br>HK\$'000<br>(audited) |
|---|---|--|
| Trade receivables                           | <b>57,940</b>   | 35,861   |
| Retention monies receivables                | <b>31,621</b>   | 26,523   |
| Other receivables, deposits and prepayments | <b>1,271</b>  | 1,254  |
|   | <b>90,832</b>   | 63,638   |

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

|              | <b>As at<br/>30 September<br/>2016<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31 March<br>2016<br>HK\$'000<br>(audited) |
|--------------|---|--|
| 0 – 30 days  | <b>33,965</b>   | 27,748   |
| 31 – 60 days | <b>23,217</b>   | 6,689  |
| 61 – 90 days | <b>363</b>  | –  |
| Over 90 days | <b>395</b>  | 1,424  |
|              | <b>57,940</b>   | 35,861   |

The Group usually grants customers a credit period of 45 days.

At the end of the reporting date, the Group reviewed trade receivables for evidence of impairment on both an individual and collective basis. Based on this assessment, no impairment has been recognized.

As at 30 September 2016, the Group's trade receivables with an aggregate carrying amount of approximately HK\$10,058,000 (31 March 2016: Nil) were pledged to secure bank loan of the Group (note 22).

## 18. CASH AND CASH EQUIVALENTS

|  | As at<br>30 September<br>2016<br>HK\$'000<br>(unaudited) | As at<br>31 March<br>2016<br>HK\$'000<br>(audited) |
|--|--|--|
| Cash and bank balances   | 26,181   | 13,826   |
| Short-term pledged bank deposit  | 1,300  | –  |
| Cash and bank balances presented in the consolidated statement of financial position | 27,481   | 13,826   |
| Less: Short-term pledged bank deposit  | (1,300)  | –  |
| Less: bank overdraft (note 22)   | (1,089)  | (4,546)  |
| Cash and cash equivalents presented in the consolidated statement of cash flows      | <b>25,092</b>  | <b>9,280</b>                                       |

Cash in banks earn interests at floating rates based on daily bank deposit rates.

## 19. TRADE AND OTHER PAYABLES

|                             | As at<br>30 September<br>2016<br>HK\$'000<br>(unaudited) | As at<br>31 March<br>2016<br>HK\$'000<br>(audited) |
|-----------------------------|--|--|
| Trade payables              | 29,197   | 32,305   |
| Retention monies payables   | 9,246  | 6,103  |
| Accruals and other payables | 8,651  | 8,580  |
|                             | <b>47,094</b>  | <b>46,988</b>                                      |

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

|              | As at<br>30 September<br>2016<br>HK\$'000<br>(unaudited) | As at<br>31 March<br>2016<br>HK\$'000<br>(audited) |
|--------------|--|--|
| 0 – 30 days  | 27,157   | 19,597   |
| 31 – 60 days | 507  | 12,288   |
| 61 – 90 days | –  | 420  |
| Over 90 days | 1,533  | –  |
|              | <b>29,197</b>  | <b>32,305</b>                                      |

The Group is granted by its suppliers a credit period ranging from 0 to 30 days.

**20. AMOUNTS DUE TO DIRECTORS**

The amounts are unsecured, interest free and have no fixed terms of repayment.

|                   | <b>As at<br/>30 September<br/>2016<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31 March<br>2016<br>HK\$'000<br>(audited) |
|-------------------|---|--|
| Mr. Wong Che Kwo  | –   | 9  |
| Mr. Wong Wing Wah | –   | 67   |
|                   | <u>–</u>  | <u>76</u>  |

**21. OBLIGATIONS UNDER FINANCE LEASES**

As at 30 September 2016, the Group had obligations under finance leases repayable as follows:

|  | <b>As at<br/>30 September<br/>2016<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31 March<br>2016<br>HK\$'000<br>(audited) |
|--|---|--|
| <b>Total minimum lease payments</b>            |   |  |
| Within one year                                | <b>731</b>  | 1,747  |
| After one year but within two years            | <b>494</b>  | 1,516  |
| After two years but within five years          | <b>154</b>  | 782  |
|  | <u><b>1,379</b></u>   | <u>4,045</u>                                       |
| Future finance charges on finance leases       | <b>(68)</b>   | (216)  |
|  | <u><b>1,311</b></u>   | <u>3,829</u>                                       |
| <b>Present value of minimum lease payments</b> |   |  |
| Within one year                                | <b>682</b>  | 1,614  |
| After one year but within two years            | <b>478</b>  | 1,451  |
| After two years but within five years          | <b>151</b>  | 764  |
|  | <u><b>1,311</b></u>   | <u>3,829</u>                                       |

As at 31 March 2016, the finance lease liabilities were secured by the personal guarantees given by one of the Controlling Shareholders.

**22. BANK LOANS AND OVERDRAFT**

As at 30 September 2016, the secured bank loans and overdraft were repayable as follows:

|                              | <b>As at<br/>30 September<br/>2016<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31 March<br>2016<br>HK\$'000<br>(audited) |
|------------------------------|---|--|
| Within one year or on demand | <b>13,157</b>   | 9,615  |

As at 30 September 2016, the bank loans and overdraft were secured as follow:

|                        | <b>As at<br/>30 September<br/>2016<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31 March<br>2016<br>HK\$'000<br>(audited) |
|------------------------|---|--|
| Secured term loans     | <b>12,068</b>   | 5,069  |
| Secured bank overdraft | <b>1,089</b>  | 4,546  |
|                        | <b>13,157</b>   | 9,615  |

Note: As at 30 September 2016, the bank term loans bear interests on a floating basis. The effective interest rates of bank term loans were 2.29% to 2.44% (31 March 2016: 3.23% to 3.99%) per annum.

As at 30 September 2016, the bank overdraft bears interest on a floating basis. The effective interest rate of bank overdraft was 5.5% (31 March 2016: 5.5%) per annum.

As at 31 March 2016, the bank term loans and overdraft were secured by the land and building of the Group with carrying amount of HK\$883,000, a property owned by the Controlling Shareholders and their unlimited personal guarantees. In addition, the bank term loan of HK\$3,263,000 (the "HKMC Loan") was secured by the guarantee given by the Hong Kong Mortgage Corporation Limited and unlimited personal guarantees given by the Controlling Shareholders. Pursuant to terms as set out in the loan agreement, Luen Hing, as the borrower, should not have its shares listed on the Main Board or the GEM of the Stock Exchange or any similar exchanges in or outside Hong Kong.

As at 30 September 2016, the bank term loans and overdraft were secured by the land and building of the Group with carrying amount of HK\$844,000, the corporate guarantee given by the Company, and legal charges over the Group's investment in a life insurance policy (note 15), the Group's trade receivables (note 17) and the Group's short-term pledged bank deposit (note 18).



**23. SHARE CAPITAL**

|  | Number of shares     | HK\$'000      |
|--|----------------------|---------------|
| <b>Authorised:</b>   |                      |               |
| <b>As at 31 March 2016 and 30 September 2016</b>                           | <b>2,000,000,000</b> | <b>20,000</b> |
| <b>Issued and fully paid:</b>  |                      |               |
| As at 31 March 2016  | 10,000               | –             |
| Issuance of ordinary shares pursuant to the Placing (note i)               | 208,000,000          | 2,080         |
| Issuance of ordinary shares pursuant to the Capitalisation Issue (note ii) | 1,039,990,000        | 10,400        |
| <b>As at 30 September 2016</b>   | <b>1,248,000,000</b> | <b>12,480</b> |

Note:

- (i) On 11 April 2016, 208,000,000 shares of HK\$0.01 each of the Company were allotted and issued at a price of HK\$0.26 per share by placing (the "Placing").

The proceeds of HK\$2,080,000 represents the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK\$52,000,000, before issuing expenses, were credited to the Company's share premium account. The shares allotted and issued rank pari passu with the then existing issued shares in all respects.

- (ii) Pursuant to the written resolutions of the shareholder passed on 24 March 2016, subject to the share premium account of the Company being credited as a result of the Placing, the directors were authorised to allot and issue a total of 1,039,990,000 shares credited as fully paid at par to Blooming Union by way of capitalisation of the sum of HK\$10,399,900 standing to the credit of the share premium account of the Company (the "Capitalisation Issue"). The Capitalisation Issue was completed on 12 April 2016. The shares allotted and issued rank pari passu in all respects with the then existing issued shares.

**24. OPERATING LEASE COMMITMENTS**

As at 30 September 2016, the total future minimum lease payments under non-cancellable operating leases in respect of warehouse and office equipment were as follows:

|                              | As at<br>30 September<br>2016<br>HK\$'000<br>(unaudited) | As at<br>31 March<br>2016<br>HK\$'000<br>(audited) |
|------------------------------|--|--|
| Within one year              | 199  | 87   |
| In the second to fifth years | 15   | 21   |
|                              | <b>214</b>   | <b>108</b>   |

## 25. RELATED PARTY TRANSACTIONS

### (a) Material related party transactions

The Group entered into the following material related party transactions during the periods:

| Name of related party                  | Nature                        | Three months ended<br>30 September |                                 | Six months ended<br>30 September |                                 |
|--|-------------------------------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
|  |                               | 2016<br>HK\$'000<br>(unaudited)    | 2015<br>HK\$'000<br>(unaudited) | 2016<br>HK\$'000<br>(unaudited)  | 2015<br>HK\$'000<br>(unaudited) |
| Hop Fung Crane Company (note i)        | Equipment Rental expense      | –                                  | 258                             | –                                | 520                             |
| The Controlling Shareholders (note ii) | License to use office premise | –                                  | –                               | –                                | –                               |

Note:

- (i) Hop Fung Crane Company is an unincorporated company owned by the spouse of one of the Controlling Shareholders.

In the opinion of the directors, these transactions were entered into in the normal course of business at mutually agreed prices and terms.

- (ii) During the periods ended 30 September 2016 and 2015, the Group was licensed to use an office premise owned by the Controlling Shareholders without any consideration.

- (iii) As at 31 March 2016, certain contracts for the performance works of provision of civil engineering works amounted to HK\$221,540,000 were secured by the personal guarantees given by the Controlling Shareholders.

As at 30 September 2016, the contract for the performance works of provision of civil engineering works amounted to HK\$22,693,000 was secured by a corporate guarantee given by the Company. In addition, the Group has taken out surety bonds from an authorised insurer, which is a wholly-owned subsidiary of a Hong Kong licensed bank, in favour of a customer, who declined the Group's request to release the personal guarantees given by the Controlling Shareholders in respect of certain contracts amounted to HK\$198,847,000, in the value of the contract sum or predetermined percentage of the contract sum, as the case may be, for due performance of the Group's obligations under the contracts.

**(b) Key management personnel compensation**

The emoluments of the key management personnel during the periods ended 30 September 2016 and 2015 are as follows:

|                              | <b>Three months ended<br/>30 September</b> |                                 | <b>Six months ended<br/>30 September</b> |                                 |
|------------------------------|--|---------------------------------|--|---------------------------------|
|                              | <b>2016<br/>HK\$'000<br/>(unaudited)</b>   | 2015<br>HK\$'000<br>(unaudited) | <b>2016<br/>HK\$'000<br/>(unaudited)</b> | 2015<br>HK\$'000<br>(unaudited) |
| Short-term employee benefits | <b>1,226</b>                               | 842                             | <b>2,521</b>                             | 1,634                           |
| Post-employment benefits     | <b>23</b>                                  | 18                              | <b>45</b>                                | 36                              |
|                              | <b>1,249</b>                               | 860                             | <b>2,566</b>                             | 1,670                           |