



联合控股
— HK.08366 —

Zhejiang United Investment Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8366

First Quarterly Report

2018



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*This report, for which the directors (the “**Director(s)**”) of Zhejiang United Investment Holdings Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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.*

CONTENTS

	Pages
Financial Highlights	03
Management Discussion and Analysis	04
Disclosure of Interests	11
Other Information	13
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)	16
Condensed Consolidated Statement of Changes in Equity (Unaudited)	17
Notes to the Condensed Consolidated Financial Statements	18



FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK\$25.9 million for the three months ended 31 July 2018 (the “**Reporting Period**”) (2017: approximately HK\$20.1 million), representing an increase of approximately 28.9% as compared with the corresponding period of last year.
- Loss attributable to equity holders of the Company for the three months ended 31 July 2018 amounted to approximately HK\$3.7 million (2017: approximately HK\$0.7 million).
- Basic loss per share amounted to approximately HK0.26 cents for the three months ended 31 July 2018 (2017: approximately HK0.05 cents).
- The Board does not recommend the payment of dividend for the three months ended 31 July 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a contractor principally engaged in undertaking slope works, foundation works and other general building works in Hong Kong. Slope works generally refer to landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls. Foundation works are generally concerned with the construction of foundations. General building works mainly include the general construction of buildings. Fraser Construction Company Limited, our principal operating subsidiary, is an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau of the Government of the Hong Kong Special Administrative Region (the “**Hong Kong Government**”) under the categories of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” with a confirmed status and “Land Piling (Group II)”. Being on such list is a prerequisite for tendering for public sector projects in the relevant works categories. In addition, Fraser Construction Company Limited is registered under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) as a (i) Registered Specialist Contractor under the sub-register of “Site Formation Works” and “Foundation Works” categories; and (ii) Registered General Building Contractor.

Hong Kong construction companies are facing tougher competitive condition, as well as the slower progress of scrutinising the funding proposals for public works projects by the Finance Committee and the Public Works Subcommittee due to political and social chaos in Hong Kong. The Group has also been facing challenging operating environment resulting from increasing costs of operation including, in particular, higher subcontracting rate. As such, the Directors consider that competition in the market has become more intense recently.

Nevertheless, we believe that the Hong Kong Government’s continuing increase in major construction and infrastructure projects in Hong Kong will increase the demand for slope works because of the continued implementation of the “Ten Major Infrastructure Projects” and the fact that slope works are directly related to public safety. The Hong Kong Government still maintain its stand to launch a rolling Landslip Prevention and Mitigation Programme to systematically deal with the landslide risk associated with both man-made slopes and natural hillsides. The stand enable steady flow of slopes construction works load to the construction industry. All in all, the Directors remain cautiously optimistic about the slope works industry in Hong Kong.

On 17 January 2018, the Company entered into an agreement (the “**Acquisition Agreement**”) with Mega Lions Construction Limited (the “**Vendor**”), Mr. Chen Baogen and Mr. Gu Quanyao the (“**Vendor Guarantors**”) pursuant to the Acquisition Agreement, the Vendor conditionally agreed to sell, and the Company conditionally agreed to acquire the entire equity interest of the Gain Link Enterprises Limited (the “**Target Company**”) and its subsidiaries (collectively referred as the “**Target Group**”) at the consideration of HK\$150,000,000, satisfied by cash consideration of HK\$45,000,000 as deposit and to be satisfied by share consideration of HK\$105,000,000 with 198,113,208 new shares to be allotted and issued by the Company at HK\$0.53 each (the “**Consideration Shares**”).

The Target Group was undergoing a shareholding restructuring (the “**Restructure**”), Zhejiang Qian Xiang Construction Company Limited* (浙江千祥建設有限公司) (the “**Project Company**”) would become a subsidiary of the Target Company upon completion of the Restructure. The Project Company is principally engaged in the business of construction, decoration and engineering in the People’s Republic of China (the “**PRC**”). The Board considers that the acquisition of the Target Group enables the Group to expand into the PRC market given the Project Company mainly operates its construction projects in the PRC, thus provides an opportunity to the Group diversify and strengthen its business base and increase its profitability. Details of the Acquisition Agreement are set out in the announcement of the Company dated 17 January 2018.

On 18 January 2018, the Company and the Vendor entered into a supplemental agreement (the “**Supplemental Agreement**”) to the Acquisition Agreement to provide for a placing of shares, not more than 89,880,000 and not less than 66,040,000 shares to be placed, to the independent third parties not later than the allotment and issuance of the Consideration Shares. Details of the Supplemental Agreement are set out in the announcement of the Company dated 18 January 2018.

On 25 May 2018, the Company, the Vendor and the Vendor Guarantors have agreed to terminate the Acquisition Agreement and Supplemental Agreement with an exclusive right granted to the Company to negotiate for a restructured transaction for this acquisition (the “**Termination Agreement**”). As the restructured transaction is not agreed and the exclusivity period has expired, the Vendor has refunded the deposit to the Company. Details of the Termination Agreement and update are set out in the announcements of the Company dated 25 May 2018 and 29 August 2018, respectively.

On 10 August 2018, a wholly-owned subsidiary of the Company and Zhejiang Guangcheng Construction Company Limited* (浙江廣誠建設有限公司) (“**Zhejiang Guangcheng**”) entered into a joint venture agreement (the “**Joint Venture Agreement**”), pursuant to which the parties agreed to establish the joint venture company (the “**Joint Venture Company**”) for the purpose of engaging in the construction engineering business in the PRC.

The Board considers that the formation of Joint Venture Company will enable the Group to expand into the construction engineering business in the PRC market which the Directors sees great potential and opportunities, especially the Joint Venture Company will be able to participate in the PRC construction industry through cooperation with Zhejiang Guangcheng. Furthermore, by partnering with Zhejiang Guangcheng, the Group can benefit from Zhejiang Guangcheng’s extensive experience and resources in the construction projects in the PRC to establish its position in the PRC construction engineering industry, as well as given a transition period to the Group to adapt to the difference between Hong Kong and the PRC construction markets. The Directors believe that the formation of Joint Venture Company would be beneficial for the Group’s development in the future and the Group will gradually operate independently in the PRC construction industry. Details of the Joint Venture Agreement are set out in the announcement of the Company dated 10 August 2018.

On 16 August 2018, a wholly-owned subsidiary of the Company entered into a cooperation agreement (the “**Cooperation Agreement**”) with Zhejiang Cloud Parking Science and Technology Limited* (浙江雲泊科技有限公司) (“**Zhejiang Cloud Parking**”) for the purpose of establishing the strategic cooperation relationship regarding underground parking garage projects.

The Directors are of the view that the Cooperation Agreement will provide stable income to the Group and at the same time bring long-term strategic values to the Group and allow the Group to step into the construction business in the PRC. The cooperation with Zhejiang Cloud Parking will create a platform for the Group to seize the opportunities of participating in underground parking garage projects in the PRC. This will also serve as a means for the Group to enhance the core competence and strengthen its position in the construction industry. Details of the Cooperation Agreement are set out in the announcements of the Company dated 16 August 2018 and 24 August 2018.

* English translated names are for identification purposes only

On 30 August 2018, the Company entered into a placing agreement with a placing agent ("**Placing Agent**"), pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, up to 288,000,000 placing shares to not less than six independent placees at the placing price of HK\$0.26 per placing share.

The gross proceeds from the placing ("**Placing**") will be approximately HK\$74.9 million and the net proceeds from the Placing (after deducting the placing commission for the Placing and other relevant expenses) will be approximately HK\$73.3 million. The net proceeds from the Placing will be utilized for general working capital of the Group and financing the underground parking garage projects in the PRC in relation to the Cooperation Agreement.

As at the date of this report, the Placing was not yet completed. Details of the Placing are set out in the announcement of the Company dated 30 August 2018.

Looking forward, the Group anticipates that the Hong Kong construction market will remain challenging with rising trend in subcontracting costs and intensive competition, which is expected to continue to place repeated pressure on our profit margin. To cope with the impact of this tough conditions, the Group has initiated to expand its construction business in the PRC after entering into the Joint Venture Agreement and the Cooperation Agreement as announced in August 2018. In the long run, the Group aims at extending its construction, building and related business in the PRC as well as the local Hong Kong market to enhance values to our shareholders. The Board considers that these strategic initiatives will enable the Group to broaden its income streams and asset base, thus contributing to future development and growth of the Group.

FINANCIAL REVIEW

Revenue

The Group's overall revenue increased by approximately HK\$5.8 million or approximately 28.9% from approximately HK\$20.1 million for the three months ended 31 July 2017 to approximately HK\$25.9 million for the three months ended 31 July 2018. The increase in revenue was mainly due to the increase in revenue derived from undertaking slope works and foundation works, as further discussed below.

The Board regards the Group's business of construction as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented. No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong. The Group's principal operating activities during the three months ended 31 July 2018 are as follows:

Slope works: Undertaking landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls. Revenue from undertaking slope works increased from approximately HK\$18.3 million for the three months ended 31 July 2017 to approximately HK\$21.7 million for the three months ended 31 July 2018, representing an increase of approximately 18.6%. The increase in revenue was primarily attributable to a higher amount of revenue from slope works projects of Civil Engineering and Development Department for the three months ended 31 July 2018, which was due to the actual works progress under the relevant contracts.

Foundation works: Undertaking works in relation to the construction of foundations for general building construction. Revenue from undertaking foundation works increased from approximately HK\$1.8 million for the three months ended 31 July 2017 to approximately HK\$4.2 million for the three months ended 31 July 2018, representing an increase of approximately 133.3%, as a result of the increase in the contract size of foundation project undertaken by the Group during the three months ended 31 July 2018.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$0.8 million or approximately 50% from approximately HK\$1.6 million for the three months ended 31 July 2017 to approximately HK\$0.8 million for the three months ended 31 July 2018 and the Group's gross profit margin decrease from approximately 7.9% for the three months ended 31 July 2017 to approximately 2.9% for the three months ended 31 July 2018. The decrease in gross profit margin was mainly due to a higher subcontracting rate and overall construction costs for the existing projects as a result of the tougher competitive conditions and challenging operating environment in the Hong Kong construction market.

The Group's direct costs increased by approximately HK\$6.5 million or approximately 34.9% from approximately HK\$18.6 million for the three months ended 31 July 2017 to approximately HK\$25.1 million for the three months ended 31 July 2018. Such increase was mainly attributable to the increase in amount of works performed resulting in the increase in our subcontracting charges.

Other Income

The Group's other income increased from less than HK\$0.1 million for the three months ended 31 July 2017 to approximately HK\$0.6 million for the three months ended 31 July 2018. The increase in the Group's other income mainly due to rental income from lease of machinery and net foreign exchange gain for the three months ended 31 July 2018 while no such items reported in corresponding period last year.

Administrative Expenses

The Group's administrative expenses increase by approximately HK\$2.8 million or approximately 127.3% from approximately HK\$2.2 million for the three months ended 31 July 2017 to approximately HK\$5.0 million for the three months ended 31 July 2018. The increase in the Group's administrative expenses was primarily due to (1) additional rent and rates of approximately HK\$1.9 million incurred in relation to the offices of the Company in Hong Kong and in the PRC and (2) increase in administrative staff costs of approximately HK\$0.4 million.

Net Loss

As a result of the foregoing combined effects of the above, the loss attributable to equity holders for the three months ended 31 July 2018 was approximately HK\$3.7 million as compared to approximately HK\$0.7 million for the three months ended 31 July 2017.

DISCLOSURE OF INTERESTS

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

As at 31 July 2018, the interests and short positions of the Directors or chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "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 and short positions which any such director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long position in the Company's Shares

Name of Director	Capacity/Nature	Number of shares held/ interested	Approximate percentage of shareholding
Mr. Zhou Ying	Interest of a controlled corporation	1,080,000,000	75%

Note:

Mr. Zhou Ying beneficially owns the entire issued share capital of Century Investment Holdings Limited, which wholly owns the shares in United Financial Holdings Group Limited. Therefore, Mr. Zhou Ying is deemed or taken to be interested in all the shares of the Company held by United Financial Holdings Group Limited for the purpose of the SFO.

(ii) Long position in the shares of associated corporations

Name of Director	Name of associated Corporation	Capacity/ Nature	Number of shares held/ interested	Percentage of shareholding
Mr. Zhou Ying	United Financial Holdings Group Limited	Beneficial owner	1,000,000	100%
	Century Investment Holdings Limited	Interest of a controlled corporation	1	100%

Note:

Mr. Zhou Ying beneficially owns the entire issued share capital of Century Investment Holdings Limited, which wholly owns the shares in United Financial Holdings Group Limited. Therefore, Mr. Zhou Ying is deemed or taken to be interested in all the shares of the Company held by United Financial Holdings Group Limited for the purpose of the SFO.

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

As at 31 July 2018, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	Capacity/nature	Number of shares held/ interested	Approximate percentage of shareholding
United Financial Holdings Group Limited	Beneficial owner	1,080,000,000	75%
Century Investment Holdings Limited	Interest of a controlled corporation	1,080,000,000	75%

OTHER INFORMATION

COMPETING INTERESTS

None of the Directors, the controlling shareholders and substantial shareholders, neither themselves nor their respective associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the three months ended 31 July 2018.

COMPLIANCE ADVISER'S INTEREST

As at 31 July 2018, as notified by the then Company's compliance adviser, Gram Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 31 July 2017, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in the securities 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 THE COMPANY'S LISTED SECURITIES

During the three months ended 31 July 2018 and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

CORPORATE GOVERNANCE CODE

During the three months ended 31 July 2018 and up to the date of this report, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 of the GEM Listing Rules save for the deviation from code provision A.2.1 explained below.

Since the Company has appointed Mr. Zhou Ying as chairman and chief executive officer, the roles of the chairman and chief executive officer are not separated and performed by two different individuals.

The Board believes that the vesting of the roles of chairman and chief executive officer in Mr. Zhou is beneficial to the business operations and management of Group and will provide a strong and consistent leadership to the Group. In addition, due to the presence of three independent non-executive Directors which represent majority of the Board, the Board considers that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors the (“**Code of Conduct**”) on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the three months ended 31 July 2018 and up to the date of this report.

DIVIDENDS

The Board did not recommend any payment of dividend for the three months ended 31 July 2018 (2017: Nil).

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 15 October 2015 (the “**Scheme**”). The terms of the 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 31 July 2018.

AUDIT COMMITTEE

The Company established the Audit Committee on 14 October 2015 with written terms of reference in compliance with the GEM Listing Rules which are available on the websites of the Stock Exchange and the Company. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Zheng Xuchen, Mr. Wong Man Hin, Raymond and Mr. Tang Yiu Wing. The chairman of the Audit Committee is Mr. Wong Man Hin, Raymond, who has appropriate professional qualifications and experience in accounting matters.

The Audit Committee had reviewed the unaudited condensed consolidated results of the Group for the three months ended 31 July 2018 with the management and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board

Zhejiang United Investment Holdings Group Limited

Zhou Ying

Chairman

Hong Kong, 7 September 2018

The board (the “**Board**”) of Directors of the Company is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 31 July 2018 together with the comparative figures for the prior period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

FOR THE THREE MONTHS ENDED 31 JULY 2018

	Notes	For the three months ended 31 July	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	25,869	20,143
Direct costs		(25,109)	(18,552)
Gross profit		760	1,591
Other income	3	582	33
Administrative expenses		(5,021)	(2,152)
Finance costs	4	(3)	(3)
Loss before income tax	6	(3,682)	(531)
Income tax expense	5	—	(210)
Loss for the period		(3,682)	(741)
Other comprehensive expense for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences on translation of financial statements of PRC subsidiary		(1,232)	—
Loss and total comprehensive expense for the period		(4,914)	(741)
		HK cents	HK cents
Loss per share for loss attributable to equity holders of the company			
— Basic and diluted	8	(0.26)	(0.05)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE THREE MONTHS ENDED 31 JULY 2018

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (Note)	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 May 2017	14,400	24,457	18,001	-	26,838	83,696
Loss and total comprehensive income for the period	-	-	-	-	(741)	(741)
At 31 July 2017 (unaudited)	14,400	24,457	18,001	-	26,097	82,955
At 1 May 2018	14,400	24,457	18,001	-	16,040	72,898
Loss for the period	-	-	-	-	(3,682)	(3,682)
Other comprehensive expenses for the period						
— Exchange differences on translation of financial statements of PRC subsidiary	-	-	-	(1,232)	-	(1,232)
Total comprehensive expense for the period	-	-	-	(1,232)	(3,682)	(4,914)
At 31 July 2018 (unaudited)	14,400	24,457	18,001	(1,232)	12,358	67,984

Note: Merger reserve represents the difference between the share capital issued by the Company for acquisition of the subsidiaries pursuant to a reorganisation for the listing and the aggregate capital of the subsidiaries being acquired at the time of the reorganisation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Zhejiang United Investment Holdings Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 20 May 2015 as an exempted company with limited liability and its shares have been listed on the GEM of The Stock Exchange on 2 November 2015. Its immediate and ultimate holding companies are United Financial Holdings Group Limited (“**United Financial Holdings**”) and Century Investment Holdings Limited (“**Century Investment**”), respectively. United Financial Holdings was incorporated in Hong Kong and holds 75% of issued shares of the Company. United Financial Holdings is 100% owned by Century Investment, a company incorporated in the Cayman Islands and is wholly owned by Mr. Zhou Ying.

The controlling shareholder of the Company has been changed on 5 May 2017 after United Financial Holdings executed the sale and purchase agreement acquiring 1,080,000,000 ordinary shares of the Company (the “**Share(s)**”). Upon the close of the unconditional mandatory cash offer per announcement on 22 June 2017, United Financial Holdings held 1,081,010,000 Shares, constituting an aggregate of approximately 75% of the Company’s total issued capital. For further details, please refer to the announcements of the Company dated 17 July 2017 and 22 June 2017 respectively, and the composite document of the Company dated 1 June 2017.

The addresses of the registered office and the principal place of business of the Company are Unit 1901, 19/F., Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong. The Company is an investment holding company and its subsidiaries (collectively, the “**Group**”) are principally engaged in undertaking slope works, foundation works and other general building works in Hong Kong.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 July 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited. The accounting policies adopted by the Group are consistent with financial statements for the year ended 30 April 2018.

The financial statements have been prepared on the historical cost basis.

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

The Group is principally engaged in undertaking slope works, foundation works and other general building works in Hong Kong.

Breakdown of the Group's revenue is set out as follows:

	Three months ended 31 July	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Contracting revenue	<u>25,869</u>	<u>20,143</u>
Revenue	<u>25,869</u>	<u>20,143</u>

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors regard the Group's business of construction as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented. No separate analysis of segment information by geographical segment is presents as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (CONTINUED)

An analysis of the Group's revenue and contribution to profit from operating activities from undertaking slope works, foundation works and other general building works in Hong Kong in the ordinary course of business during the three months ended 31 July 2018 and 2017 are as follows:

	Three months ended 31 July	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Slope works	21,668	18,323
Foundation works	4,201	1,820
	25,869	20,143

An analysis of other income is as follows:

	Three months ended 31 July	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net foreign exchange gain	422	–
Rental income from lease of machinery	120	–
Interest income	40	–
Sundry income	–	33
	582	33

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group during the Reporting Period are as follows:

	Three months ended 31 July	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Civil Engineering and Development Department	10,580	7,216
Lands Department	8,712	7,329
Hong Kong Housing Authority	N/A¹	2,205

¹ The corresponding revenue did not individually contribute over 10% of the Group's revenue during the period.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 31 July	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on finance leases	3	3

5. INCOME TAX EXPENSE

	Three months ended 31 July	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

Current tax — Hong Kong:		
— charge for the period	—	210

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) on the Company's estimated assessable profits for the period.

No deferred tax has been provided in the unaudited condensed consolidated financial statements as there is no material temporary difference as at the reporting dates.

6. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Three months ended 31 July	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

Staff costs (including directors' emoluments)		
— salaries, allowances and benefits in kind	1,309	1,033
— retirement benefits scheme contributions	35	42
Total staff costs	<u>1,344</u>	<u>1,075</u>

6. LOSS BEFORE INCOME TAX (CONTINUED)

	Three months ended 31 July	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation in respect of plant and equipment		
— leased assets	6	6
— owned assets	141	43
	<u>147</u>	<u>49</u>
Operating lease charges:		
— Land and buildings	1,953	96
	<u>1,953</u>	<u>96</u>
Subcontracting charges (included in direct costs)	24,824	17,876
	<u>24,824</u>	<u>17,876</u>

7. DIVIDEND

The Directors do not recommend a payment of dividend for the three months ended 31 July 2018 (2017: Nil).

8. LOSS PER SHARE

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

		Three months ended 31 July	
		2018	2017
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)

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

Loss

Loss for the period attributable to equity holders of the Company for the purpose of basic loss per share

3,682	741
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		Three months ended 31 July	
		2018	2017
		'000	'000
		(Unaudited)	(Unaudited)

Number of shares

Weighted average number of ordinary shares for the purpose of basic loss per share

1,440,000	1,440,000
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The calculation of basic loss per share for the three months ended 31 July 2018 is based on the loss attributable to equity holders of the Company and the weighted average number of ordinary shares for the purpose of basic loss per share.

There were no dilutive potential ordinary shares during both periods and therefore, diluted loss per share is the same as the basic loss per share.

9. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 17 January 2018, the Group entered into an agreement (the “**Acquisition Agreement**”) with the vendor (the “**Vendor**”) and vendor guarantors (the “**Vendor Guarantors**”) to acquire 100% issued share capital of Gain Link Enterprises Limited (the “**Target Company**”) and its subsidiaries (collectively referred as the “**Target Group**”), at a total consideration of approximately HK\$150,000,000, satisfied by cash consideration of HK\$45,000,000 as deposit and to be satisfied by share consideration of HK\$10,500,000 (the “**Consideration Shares**”). The Target Company is principally engaged in investment holdings. A company, established in the People’s Republic of China (the “**PRC**”) with limited liability, will be indirectly owned by the Target Company immediately after the restructuring of the Target Group (the “**Project Company**”). The Project Company is principally engaged in construction, decoration and engineering in the PRC.

On 18 January 2018, the Company and the Vendor entered into a supplemental agreement (the “**Supplemental Agreement**”) to the Acquisition Agreement to provide for a placing of shares, not more than 89,880,000 and not less than 66,040,000 shares to be placed, to the independent third parties not later than the allotment and issuance of the Consideration Shares.

On 25 May 2018, the Company, the Vendor and the Vendor Guarantors have agreed to terminate the Acquisition Agreement and Supplemental Agreement with an exclusive right granted to the Company to negotiate for a restructured transaction for the acquisition. As the restructured transaction is not agreed and the exclusivity period has expired, the Vendor has refunded the deposit to the Company.

On 10 August 2018, a wholly-owned subsidiary of the Company and Zhejiang Guangcheng Construction Company Limited* (浙江廣誠建設有限公司) entered into a joint venture agreement, pursuant to which the parties agreed to establish the joint venture company for the purpose of engaging in the construction engineering business in the PRC.

On 16 August 2018, a wholly-owned subsidiary of the Company entered into a cooperation agreement (the “**Cooperation Agreement**”) with Zhejiang Cloud Parking Science and Technology Limited* (浙江雲泊科技有限公司) for the purpose of establishing the strategic cooperation relationship regarding underground parking garage projects.

On 30 August 2018, the Company entered into a placing agreement with a placing agent (“**Placing Agent**”), pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, up to 288,000,000 placing shares to not less than six independent placees at the placing price of HK\$0.26 per placing share. The gross proceeds from the placing (“**Placing**”) will be approximately HK\$74.9 million and the net proceeds from the Placing (after deducting the placing commission for the Placing and other relevant expenses) will be approximately HK\$73.3 million. The net proceeds from the Placing will be utilized for general working capital of the Group and financing the underground parking garage projects in the PRC in relation to the Cooperation Agreement. As at the date of this report, the Placing was not yet completed.

* English translated names are for identification purposes only