

# 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

### INTERIM REPORT 2018



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

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together, the “Group”). 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 aspects 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. So Kwok Hung (*Chairman*)

Ms. Yu Xiao

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liao Honghao

Mr. Tai Hin Henry

Mr. Wong Chi Kan

#### COMPANY SECRETARY

Mr. So Pan

#### AUDIT COMMITTEE

Mr. Wong Chi Kan (*Chairman*)

Mr. Tai Hin Henry

Mr. Liao Honghao

#### REMUNERATION COMMITTEE

Mr. Wong Chi Kan (*Chairman*)

Ms. Yu Xiao

Mr. Liao Honghao

#### NOMINATION COMMITTEE

Mr. So Kwok Hung (*Chairman*)

Mr. Wong Chi Kan

Mr. Tai Hin Henry

#### REGISTERED OFFICE

PO Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

#### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 703A, 7/F

Gee Tuck Building

16-20 Bonham Strand

Sheung Wan

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

#### WEBSITE ADDRESS

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

#### STOCK CODE

8217



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Group has over 18 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).

As at 30 September 2018, we had 35 contracts on hand with a total contract sum of approximately HK\$2,043,702,000. During the period, we have been awarded 4 new contracts with a total contract sum of approximately HK\$56,895,000.

### OUTLOOK

2019 is expected to be full of opportunities and challenges. The planned commitment in the Government's public expenditure on infrastructure will result in more business opportunities being presented to the market. Whilst 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 continue being threats that likely affect the Group's profit as a subcontractor.

Looking forward, the Group will continue to strengthen the competitive edge of the Group over the competitors in the civil engineering industry and at the same time carefully evaluate each projects and control the Group's overall costs to a reasonable level; which in turn increase shareholders' return.

### SIGNIFICANT INVESTMENT

As at 30 September 2018, the Group's investment in listed equity securities comprised 6 listed equity securities in Hong Kong. None of the listed equity securities was more than 5% of the total assets of the Group as at 30 September 2018.

The future performance of the listed securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.



## FINANCIAL REVIEW

### Revenue

All of the Group's revenue was generated from the provision of civil engineering works. The total revenue of the Group decreased by approximately HK\$137,265,000 from approximately HK\$385,838,000 for the six months ended 30 September 2017 to approximately HK\$248,573,000 for the six months ended 30 September 2018. Such decrease was mainly due to few large construction projects reaching completion stage.

### Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$26,325,000 from approximately HK\$31,558,000 for the six months ended 30 September 2017 to approximately HK\$5,233,000 for the six months ended 30 September 2018. The Group's gross profit margin decreased from 8.2% for the six months ended 30 September 2017 to 2.1% for the six months ended 30 September 2018, representing a decrease of approximately 6.1 percentage points.

The gross profit margin varied substantially from project to project and is mainly attributable to its pricing strategy, which is determined based on a cost-plus pricing model in general with mark-up determined on a project-by-project basis. 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 2018 annual report dated 25 June 2018.

### Other Income

Other income of the Group increased by approximately HK\$13,339,000 from approximately HK\$277,000 for the six months ended 30 September 2017 to approximately HK\$13,616,000 for the six months ended 30 September 2018. The increase was mainly due to the net effect of realised gain on disposal of investment in listed securities as disclosed on 29 May 2018 and the unrealised fair value change of other investments in listed securities.

### Administrative Expenses

Administrative expenses of the Group decreased by approximately HK\$3,724,000 from approximately HK\$9,132,000 for the six months ended 30 September 2017 to approximately HK\$5,408,000 for the six months ended 30 September 2018. Administrative expenses consist primarily of staff costs, professional fees and other administrative expenses. Such decrease was primarily attributable to the decrease in staff costs incurred.

### Finance Costs

Finance costs for the Group decreased by approximately HK\$221,000 from approximately HK\$222,000 for the six months ended 30 September 2017 to approximately HK\$1,000 for the six months ended 30 September 2018.



### **Income Tax Expense**

Income tax expense for the Group had decreased by approximately HK\$1,669,000 from approximately HK\$3,924,000 for the six months ended 30 September 2017 to approximately HK\$2,255,000 for the six months ended 30 September 2018. Such decrease was mainly due to the decrease in profit before income tax as discussed above.

### **Profit for the Period**

Profit for the period decreased by approximately HK\$7,372,000 from approximately HK\$18,557,000 for the six months ended 30 September 2017 to approximately HK\$11,185,000 for the six months ended 30 September 2018. Such decrease was primarily attributable to the net effect of the decrease in revenue, gross profit, income tax expense and administrative expenses for the six months ended 30 September 2018 as discussed above.

## **LIQUIDITY AND FINANCIAL RESOURCES**

Cash and bank balances are denominated in Hong Kong dollar. The current ratio of the Group remain steady as at 30 September 2018 and was approximately 1.4 times as compared to that of approximately 1.3 times as at 31 March 2018.

The total interest bearing debts of the Group, including bank borrowings and finance lease liabilities, decreased from approximately HK\$138,000 as at 31 March 2018 to approximately HK\$Nil as at 30 September 2018. 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 2018, the Group had no general banking facilities. As at 30 September 2018, the finance lease liabilities amounted to approximately HK\$Nil (31 March 2018: approximately HK\$138,000).

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 0.00% as at 30 September 2018 (31 March 2018: approximately 0.10%). With available bank balances and cash, the Group has sufficient liquidity to satisfy its funding requirements.

## **CAPITAL STRUCTURE**

As at 30 September 2018, 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\$102,183,000 respectively.



## **COMMITMENTS**

As at 30 September 2018, there was no capital commitment for the Group (31 March 2018: HK\$Nil).

## **FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in this report, the Group did not have other plans for material investments and capital assets.

## **CONTINGENT LIABILITIES**

As at 30 September 2018, the Group did not have any material contingent liabilities (31 March 2018: 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 PLACING” 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 2018.

## **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. The Group current does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities.

## **CHARGE OVER GROUP’S ASSETS**

The total interest bearing debts of the Group, including finance lease liabilities amounted to approximately HK\$Nil (31 March 2018: HK\$138,000) as at 30 September 2018.

As at 31 March 2018, the Group had no general banking facilities. As at 31 March 2018, the finance lease liabilities amounted to approximately HK\$138,000.





## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group had approximately 209 employees (31 March 2018: 205 employees). The total staff costs incurred, including Directors' emoluments, of the Group were approximately HK\$41,202,000 for the six months ended 30 September 2018 (six months ended 30 September 2017: approximately HK\$44,714,000). 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, the Group offers other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. The Group has also adopted an annual review system to assess the performance of its staff, which forms the basis of its 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 2018 and 2017.

## 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 the Group's revenue was derived from a small number of customers. The five largest customers' revenue contribution for the six months ended 30 September 2018 was approximately 94.5% (six months ended 30 September 2017: 100%) of its total revenue, while the largest customer accounted for approximately 49.3% during the six months ended 30 September 2018 (six months ended 30 September 2017: 87.5%). There is no assurance that the Group will be able to retain its 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 an material impact on the Group's financial conditions and operating results;
- (ii) If the Group cannot factor accounts receivables to obtain funds or if the Group is unable to generate sufficient cash flow for its operations or otherwise unable to obtain sufficient funds to finance its business in the future, the liquidity and financial condition may be materially and adversely affected;
- (iii) 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;
- (iv) If net cash outflows to pay certain operating expenditures do not align with progress payments to be received at any particular period of time, the Group's cash flow position may be adversely affected;



- (v) The Group's success is attributable to the contribution of, among others, its senior management personnel and in-house professional. The Group relies on the professional knowledge, experience and expertise of its 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 construction needs could adversely impact our business, results of operation and profitability of the Group; and
- (vi) The Group's operations are conducted outdoors and are affected by weather conditions. If the Group has to halt operations during inclement weather conditions or a natural disaster, it may continue to incur operating expenses while experience reduced revenues and profitability, financial conditions and growth potentials of the Group 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 2018, 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 2018, 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:

<b>Name of Shareholder</b>	<b>Capacity/Nature</b>	<b>Number of Shares held/ interested</b>	<b>Percentage of shareholding</b>
Blooming Union Investments Limited ("Blooming Union")	Beneficial owner	327,030,000	26.20%
Wong Che Kwo	Interest in a controlled corporation ( <i>Note 1</i> )	327,030,000	26.20%
Law Oi Ling	Interest of spouse ( <i>Note 2</i> )	327,030,000	26.20%
Wong Wing Wah	Interest in a controlled corporation ( <i>Note 1</i> )	327,030,000	26.20%
Lai Siu Kuen	Interest of spouse ( <i>Note 3</i> )	327,030,000	26.20%

*Note:*

1. Blooming Union is owned as to 50% and 50% by each of Mr. Wong Che Kwo and Mr. Wong Wing Wah respectively. Mr. Wong Che Kwo and Mr. Wong Wing Wah is deemed to be interested in the Shares held by Blooming Union pursuant to the SFO.
2. 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.
3. Ms. Lai Siu Kuen, the spouse of Mr. Wong Wing Wah, is deemed, or taken to be, interested 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 2018 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 headed "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 then Controlling Shareholders 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 2018 and up to the date of this report.

## **INTEREST OF COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, the Group has appointed TC Capital International Limited as its 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 the compliance adviser dated on 31 March 2016, neither the 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 during the six months ended 30 September 2018.

## **CORPORATE GOVERNANCE CODE**

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 15 of the GEM Listing Rules. The Directors consider that during the six months ended 30 September 2018 and up to the date of this report, the Company has complied with all the applicable code provisions set out in the Code.

## **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 during the six months ended 30 September 2018 and up to the date of this report.



## 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 2018.

## 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 Code. The audit committee consists of three members, namely Mr. Liao Honghao, Mr. Wong Chi Kan and Mr. Tai Hin Henry, all being independent non-executive Directors. Mr. Wong Chi Kan 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 2018 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 have been made.

By order of the Board  
**Luen Wong Group Holdings Limited**  
**So Kwok Hung**  
*Chairman and Executive Director*

Hong Kong, 14 November 2018



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 September 2018

	Note	Three months ended 30 September		Six months ended 30 September	
		2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
<b>Revenue</b>	3	<b>127,673</b>	195,700	<b>248,573</b>	385,838
Cost of sales		<b>(126,611)</b>	(181,458)	<b>(243,340)</b>	(354,280)
<b>Gross profit</b>		<b>1,062</b>	14,242	<b>5,233</b>	31,558
Other income	5	<b>(9,720)</b>	277	<b>13,616</b>	277
Administrative and other operating expenses		<b>(3,065)</b>	(7,331)	<b>(5,408)</b>	(9,132)
<b>(Loss)/profit from operations</b>		<b>(11,723)</b>	7,188	<b>13,441</b>	22,703
Finance costs	6	-	(50)	<b>(1)</b>	(222)
<b>(Loss)/profit before income tax</b>	7	<b>(11,723)</b>	7,138	<b>13,440</b>	22,481
Income tax expense	8	<b>1,632</b>	(1,250)	<b>(2,255)</b>	(3,924)
<b>(Loss)/profit for the period</b>		<b>(10,091)</b>	5,888	<b>11,185</b>	18,557
<b>Total comprehensive (loss)/income for the period attributable to equity holders of the Company</b>		<b>(10,091)</b>	5,888	<b>11,185</b>	18,557
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
<b>(Loss)/earnings per share attributable to equity holders of the Company</b>					
Basic and diluted	11	<b>(0.80)</b>	0.47	<b>0.90</b>	1.49



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2018

	Note	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	35,756	37,941
Available-for-sale financial asset	13	3,129	3,129
		<b>38,885</b>	41,070
<b>Current assets</b>			
Amounts due from customers for contract work	14	48,280	35,874
Trade and other receivables	15	194,134	127,175
Amount due from a director		–	462
Financial assets at fair value through profit or loss		26,500	39,816
Tax recoverable		4,700	4,722
Cash and bank balances		28,458	99,196
		<b>302,072</b>	307,245
<b>Current liabilities</b>			
Trade and other payables	16	55,844	85,151
Amounts due to customers for contract work	14	30,894	22,224
Amount due to a shareholder		132,888	132,888
Obligations under finance leases		–	138
Tax payable		229	–
		<b>219,855</b>	240,401
<b>Net current assets</b>		<b>82,217</b>	66,844
<b>Total assets less current liabilities</b>		<b>121,102</b>	107,914



	Note	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Deferred tax liabilities		6,439	–
		<b>6,439</b>	4,436
<b>Net assets</b>			
		<b>114,663</b>	103,478
<b>CAPITAL AND RESERVES</b>			
Share capital	17	12,480	12,480
Reserves		102,183	90,998
<b>Total equity attributable to equity holders of the Company</b>			
		<b>114,663</b>	103,478





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

For the six months ended 30 September 2018

	Total equity attributable to equity holders of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Available- for-sale financial asset revaluation reserve HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance as at 1 April 2017 (audited)	12,480	36,672	(435)	10,400	3,820	43,424	106,361
Profit and total comprehensive income for the period	-	-	-	-	-	18,557	18,557
Balance as at 30 September 2017 (unaudited)	12,480	36,672	(435)	10,400	3,820	61,981	124,918
Balance as at 1 April 2018 (audited)	<b>12,480</b>	<b>36,672</b>	<b>(426)</b>	<b>10,400</b>	<b>3,820</b>	<b>40,532</b>	<b>103,478</b>
Profit and total comprehensive income for the period	-	-	-	-	-	11,185	11,185
<b>Balance as at 30 September 2018 (unaudited)</b>	<b>12,480</b>	<b>36,672</b>	<b>(426)</b>	<b>10,400</b>	<b>3,820</b>	<b>51,717</b>	<b>114,663</b>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Net cash (used in)/generated from operating activities	(64,177)	4,706
Net cash used in investing activities	(6,423)	(2,863)
Net cash used in financing activities	(138)	(5,332)
<b>Net decrease in cash and cash equivalents</b>	<b>(70,738)</b>	<b>(3,489)</b>
Cash and cash equivalents at the beginning of the period	99,196	21,656
<b>Cash and cash equivalent at the end of the period</b>	<b>28,458</b>	<b>18,167</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 703A, 7/F, Gee Tuck Building, 16-20 Bonham Strand, Sheung Wan, Hong Kong respectively.

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

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

### 2. BASIS OF PREPARATION

The unaudited interim financial report of the Group for the six months ended 30 September 2018 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 2018. 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 2018.

As at the date of authorisation of the unaudited interim financial report, HKICPA has issued a number of new and amended HKFRSs. For those which are effective for accounting period beginning on 1 April 2018, the adoption of these new and 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 asset which is 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 has been reviewed by the Company's audit committee.

### 3. REVENUE

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



#### 4. 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 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Customer 1	67,194	171,410	122,583	337,443
Customer 2	42,434	21,009	92,769	N/A <sup>(note)</sup>

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

#### 5. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Dividend income	34	–	34	–
Realised and unrealised gain/(loss) on fair value change on financial assets at fair value through profit or loss	(9,991)	–	12,143	–
Gain on disposal of property, plant and equipment	–	267	13	267
Sundry income	237	10	1,426	10
	<b>(9,720)</b>	277	<b>13,616</b>	277



## 6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Finance charges on obligations under finance leases	–	33	1	47
Interests on bank loans and overdrafts	–	17	–	175
	–	50	1	222

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

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

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Auditor's remuneration	–	25	–	75
Depreciation:				
– own assets	1,458	1,453	2,906	2,819
– leased assets	53	142	105	283
Gain on disposal of property, plant and equipment, net	–	(267)	(13)	(267)
Site equipment rental costs (included in cost of sales)	12,640	12,871	21,759	26,200
Operating lease charges in respect of premises and office equipment	168	61	360	119



## 8. 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 2018 and 2017.

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>Current tax</b>				
– Hong Kong profits tax	17	1,218	252	3,462
– Deferred tax	(1,649)	32	2,003	462
Income tax expense	<b>(1,632)</b>	1,250	<b>2,255</b>	3,924

## 9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Salaries, wages and other benefits	19,831	23,186	39,727	43,241
Contributions to defined contribution retirement plan	757	713	1,475	1,473
	<b>20,588</b>	23,899	<b>41,202</b>	44,714
Add/(Less): amount included in construction contracts in progress	3,308	(2,325)	(1,875)	(2,082)
	<b>23,896</b>	21,574	<b>39,327</b>	42,632



**10. DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 and 2017.

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

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

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>(Loss)/earnings</b> (Loss)/profit for the period attributable to equity holders of the Company	<b>(10,091)</b>	5,888	<b>11,185</b>	18,557
<b>Number of shares</b> Weighted average number of ordinary shares (in thousands)	<b>1,248,000</b>	1,248,000	<b>1,248,000</b>	1,248,000

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 September 2018 and 2017 represents 1,248,000,000 shares in issue throughout the period.

There were no dilutive potential ordinary shares during the periods ended 30 September 2018 and 2017 and therefore, diluted earnings per share equals to the basic earnings per share.



## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property, plant and equipment of approximately HK\$981,000 (six months ended 30 September 2017: HK\$4,526,000). Property, plant and equipment with net book value of approximately HK\$179,000 (six months ended 30 September 2017: HK\$96,000) were disposed of during the six months ended 30 September 2018, resulting in a net gain on disposal of approximately HK\$13,000 (six months ended 30 September 2017: net loss on disposal of approximately HK\$267,000).

## 13. AVAILABLE-FOR-SALE FINANCIAL ASSET

The Group entered into a life insurance policy with an insurance company to insure Mr. Wong Wing Wah (the "Insured"), a director of a wholly-owned subsidiary of the Company. The total sum insured is US\$968,000 (equivalent to approximately HK\$7,522,000). 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\$3,636,000). 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 years, 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 2018, the available-for-sale financial asset with carrying amount of HK\$3,129,000 (31 March 2018: HK\$3,129,000).

As at 30 September 2018, the available-for-sale financial asset was categorised as Level 2 of the three-level fair value hierarchy as defined under HKFRS13 and there was no transfer among the three levels of the fair value hierarchy during the period.





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

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Contract costs incurred plus recognised profits less recognised losses	2,104,825	1,853,324
Less: progress billings	<b>(2,087,439)</b>	<b>(1,839,674)</b>
	<b>17,386</b>	13,650
Recognised and included in the condensed consolidated statement of financial position as:		
– Amounts due from customers for contract work	48,280	35,874
– Amounts due to customers for contract work	<b>(30,894)</b>	<b>(22,224)</b>
	<b>17,386</b>	13,650

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

#### 15. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Trade receivables	55,583	62,189
Retention monies receivables	46,195	42,096
Receivables from a securities broker	45,017	19,524
Other receivables, deposits and prepayments	47,339	3,366
	<b>194,134</b>	127,175



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

	<b>As at 30 September 2018 HK\$'000 (unaudited)</b>	As at 31 March 2018 HK\$'000 (audited)
0 – 30 days	<b>53,334</b>	26,633
31 – 60 days	<b>2,101</b>	30,167
61 – 90 days	<b>–</b>	3,852
Over 90 days	<b>148</b>	1,537
	<b>55,583</b>	62,189

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

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

## 16. TRADE AND OTHER PAYABLES

	<b>As at 30 September 2018 HK\$'000 (unaudited)</b>	As at 31 March 2018 HK\$'000 (audited)
Trade payables	<b>45,779</b>	48,695
Retention monies payables	<b>1,833</b>	27,705
Accruals and other payables	<b>8,232</b>	8,751
	<b>55,844</b>	85,151

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

	<b>As at 30 September 2018 HK\$'000 (unaudited)</b>	As at 31 March 2018 HK\$'000 (audited)
0 – 30 days	<b>18,811</b>	36,191
31 – 60 days	<b>54</b>	12,501
61 – 90 days	<b>546</b>	–
Over 90 days	<b>26,368</b>	3
	<b>45,779</b>	48,695

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



## 17. SHARE CAPITAL

	Number of shares	HK\$'000
<b>Authorised:</b>		
<b>As at 31 March and 30 September 2018</b>	2,000,000,000	20,000
<b>Issued and fully paid:</b>		
<b>As at 31 March and 30 September 2018</b>	1,248,000,000	12,480

## 18. OPERATING LEASE COMMITMENTS

As at 30 September 2018, the total future minimum lease payments under non-cancellable operating leases in respect of lease premises and office equipment were as follows:

	<b>As at 30 September 2018 HK\$'000 (unaudited)</b>	As at 31 March 2018 HK\$'000 (audited)
Within one year	482	927
In the second to fifth years	614	474
	<b>1,096</b>	1,401