

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
2017



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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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Woo Yuen Fai

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

Wong Che Kwo (*Chairman*)
Wong Chi Kan
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 1505, 15/F
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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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PO Box 1350
Clifton House
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Grand Cayman KY1-1108
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
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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

STOCK CODE

8217

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group has over 17 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 coming years are expected to be full of opportunities and challenges. In the 2017-18 Budget Speech, the Government announced to spend an estimated HK\$89.1 billion on public infrastructure. The planned increase in the Government's public expenditure on infrastructure will result in more business opportunities being presented to the market. It was also announced that projects included the Hong Kong Boundary Crossing Facilities and Hong Kong Link Road are at its construction peaks and capital works expenditure is expected to remain at a relatively high level in the next few years. However, challenges like delaying in budget approval due to filibustering and shortage of manpower will continue to affect the civil engineering industry. As a subcontractor, 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.

Most of the projects on hand are expected to be completed in the late 2017 or early 2018, the Group is now actively participating in submitting tenders for new projects that start in 2018 to ensure that sustainable growth is maintained for the Group. 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 is expected to increase shareholders' return.

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\$97,160,000 from approximately HK\$288,678,000 for the six months ended 30 September 2016 to approximately HK\$385,838,000 for the six months ended 30 September 2017. 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. The Group had 19 contracts on hand with a total contract sum of approximately HK\$1,389,159,000 as at 30 September 2016 whilst as at 30 September 2017, the Group had 23 contracts on hand with a total contract sum of approximately HK\$1,720,888,000.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately HK\$12,649,000 from approximately HK\$18,909,000 for the six months ended 30 September 2016 to approximately HK\$31,558,000 for the six months ended 30 September 2017. The Group's gross profit margin increased from 6.6% for the six months ended 30 September 2016 to 8.2% for the six months ended 30 September 2017, representing an increase of approximately 1.6 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 2017 annual report dated 26 June 2017.

Other Income

Other income of the Group decreased by approximately HK\$113,000 or 29.0% from approximately HK\$390,000 for the six months ended 30 September 2016 to approximately HK\$277,000 for the six months ended 30 September 2017.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK\$376,000 from approximately HK\$8,756,000 for the six months ended 30 September 2016 to approximately HK\$9,132,000 for the six months ended 30 September 2017. Administrative expenses consist primarily of staff costs, professional fees and other administrative expenses. Such increase was primarily attributable to the increase in staff costs, including Directors' emoluments of the Group, of approximately HK\$5,197,000 during the six months ended 30 September 2017 offset by the non-recurring listing expenses of approximately HK\$3,737,000 during the six months ended 30 September 2016.

Finance Costs

Finance costs for the Group slightly decreased by approximately HK\$17,000 or 7.1% from approximately HK\$239,000 for the six months ended 30 September 2016 to approximately HK\$222,000 for the six months ended 30 September 2017.

Income Tax Expense

Income tax expense for the Group had increased by approximately HK\$1,400,000 from approximately HK\$2,524,000 for the six months ended 30 September 2016 to approximately HK\$3,924,000 for the six months ended 30 September 2017. Such increase was mainly due to the increase in profit before income tax as discussed above.

Profit for the Period

Profit for the period increased by approximately HK\$10,777,000 or 1.4 times from approximately HK\$7,780,000 for the six months ended 30 September 2016 to approximately HK\$18,557,000 for the six months ended 30 September 2017. Such increase was primarily attributable to the net effect of the increase in revenue, gross profit, income tax expense and administrative expenses for the six months ended 30 September 2017 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 2017 and was approximately 1.8 times as compared to that of approximately 1.7 times as at 31 March 2017.

The total interest-bearing debts of the Group, including bank borrowings and finance lease liabilities, decreased from approximately HK\$6,461,000 as at 31 March 2017 to approximately HK\$1,351,000 as at 30 September 2017. All borrowings were denominated in Hong Kong dollars and are repayable within 5 years. The Group did not carry out any hedging for its floating borrowings. As at 30 September 2017, the effective interest rate of bank term loan was nil (31 March 2017: 3.45%) per annum. The finance lease liabilities carried interests ranging from approximately 4.09% per annum to 5.24% per annum as at 30 September 2017 (31 March 2017: approximately 4.12% per annum to 4.29% per annum). However, the management monitors the Group's interest rate exposure and will consider hedging significant interest exposure should the need arise.

As at 30 September 2017, the Group had not obtained any banking facilities (31 March 2017: approximately HK\$55,585,000) and had fully repaid the bank term loan during the six months ended 30 September 2017 (31 March 2017: approximately HK\$4,667,000). As at 30 September 2017, the finance lease liabilities amounted to approximately HK\$1,351,000 (31 March 2017: approximately HK\$1,794,000).

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 1.1% as at 30 September 2017 (31 March 2017: approximately 6.1%). The Group regularly monitors current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet with its liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient bank balances and cash to fund its operations.

CAPITAL STRUCTURE

As at 30 September 2017, 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\$124,918,000 respectively.

COMMITMENTS

As at 30 September 2017, there was no capital commitment for the Group (31 March 2017: 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 2017, the Group did not have any material contingent liabilities (31 March 2017: 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 2017.

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

As at 30 September 2017, the Group had not obtained any banking facilities (31 March 2017: approximately HK\$55,585,000), several motor vehicles were held under finance lease obligation with carrying amount of approximately HK\$1,790,000 and a corporate guarantee given by the Company (31 March 2017: held under finance lease obligation with carrying amount of approximately HK\$2,174,000 and a corporate guarantee given by the Company).

As at 31 March 2017, the bank overdraft facility of HK\$6,000,000 and the term loan facility of HK\$5,585,000 were secured by pledge of the land and building of the Group with carrying amount of approximately HK\$802,000 and a corporate guarantee of a maximum amount of HK\$12,000,000 given by the Company. The invoice discounting/factoring facility of HK\$34,000,000 was secured by corporate guarantee given by the Company and a charge over receivables and proceeds on one of the customers with carrying amount of approximately HK\$49,511,000 and retention money receivables of approximately HK\$8,766,000 together with related rights, title and interests under relevant construction contracts whilst the 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 and/or advance to manufacturer against sales contract of HK\$10,000,000) was secured by investment in a life insurance policy with sum insured of US\$968,000 (equivalent to approximately HK\$7,522,000) with carrying amount of approximately HK\$3,020,000, a deposit of HK\$1,300,000 and a corporate guarantee given by the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group had approximately 215 employees (31 March 2017: 228 employees). The total staff costs incurred, including Directors' emoluments, of the Group were approximately HK\$44,714,000 for the six months ended 30 September 2017 (six months ended 30 September 2016: approximately HK\$41,585,000). 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 2017 and 2016.

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 2017 is set out below:

Business objectives up to 30 September 2017

Acquisition of additional site equipment

- Purchase three hydraulic truck cranes, three motor vehicles, three generators, one air compressor and one excavator for the Group's 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, three foremen, one administrative staff and one quantity surveyor
- Continue to assess the sufficiency of the Group's labour resources and provide training to existing and newly recruited staff and/or sponsor its staff to attend training courses

Actual Business Progress up to 30 September 2017

The Group purchased four hydraulic truck cranes, three motor vehicles, three generators and two excavators for use in its projects (*Note*)

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, three foremen, one administrative staff and one quantity surveyor to cope with the business development

The Group will continue to assess the sufficiency of its labour resources and has sponsored existing and newly recruited staff to attend various training courses organised by third parties

Note: The Group refers to the announcement of the Company dated 21 June 2016 regarding a change in use of proceeds for the period from the Listing Date to 30 September 2016. 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 the Group more efficiently and enhance the flexibility of the Group and is in the interests of the Company and the shareholders of the Company (the "Shareholders") as a whole.

The Group also refers to the announcement of the Company dated 14 June 2017 regarding a change in use of proceeds for the period from 1 April 2017 to 30 September 2017. The Board has resolved to change the use of net proceeds from the Placing by acquiring two excavators instead of one air compressor and one excavator. In October 2016, the Board assessed the needs for each project and had decided to use our internal resources to purchase an air compressor to address such needs. Therefore, the Board considers that purchasing an additional air compressor with the listing proceeds would not be efficient and effective at this stage. The Board has considered the listing proceeds to be better utilised with the purchase of an additional excavator to replace an existing excavator which has broken down and would be costly to repair. Having considered the above reasons, the Board has decided to purchase two excavators with the listing proceeds of approximately HK\$0.7 million, which is allocated for use from 1 April 2017 to 30 September 2017.

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

USE OF PROCEEDS OBTAINED FROM THE PLACING

The net proceeds from 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 2017 is set out below:

	Planned use of net proceeds as stated in the Prospectus up to 30 September 2017	Actual use of net proceeds up to 30 September 2017
	<i>HK\$ million</i>	<i>HK\$ million</i>
Acquisition of additional site equipment	18.0	18.0
Further strengthening The Group's manpower	7.6	5.3
Repayment of bank loans and finance lease	6.8	6.8
General working capital of the Group	3.3	3.3

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business, the actual situation and the industry.

The Directors will constantly evaluate the Group's business objective and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

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 2017 was approximately 100% (six months ended 30 September 2016: 100%) of its total revenue, while the largest customer accounted for approximately 87.5% during the six months ended 30 September 2017 (six months ended 30 September 2016: 78.2%). 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 a 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 2017, interests or short positions of the Directors, chief executives of the Company in the shares (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 Directors	Capacity/Nature	Number of Shares held/ interested	Percentage of shareholding
Wong Che Kwo	Interest of a controlled corporation (Note)	327,030,000	26.20%
Wong Wing Wah	Interest of a controlled corporation (Note)	327,030,000	26.20%

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 Directors	Name 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 2017, 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 2017, 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	327,030,000	26.20%
Law Oi Ling	Interest of spouse (<i>Note 1</i>)	327,030,000	26.20%
Lai Siu Kuen	Interest of spouse (<i>Note 2</i>)	327,030,000	26.20%

Note:

1. 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.
2. 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 2017 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

Save as disclosed below, the Directors confirm that none of the 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 2017 and up to the date of this report.

Name of Director	Name of entity which is considered to compete or likely to compete with the business of the Group	Description of business	Nature of interests
Mr. Liu Yan Chee James	Asia Resources Holdings Limited (Stock code: 0899)	Principally engaged in iron mining business; securities and gold trading; and property investments	Executive director (appointed on 26 April 2017)

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 adviser 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 2017.

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 2017 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 2017 and up to the date of this report.

DIVIDEND

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

DISCLOSURE PURSUANT TO RULE 17.20 AND 17.21 OF THE GEM LISTING RULES

Breach of Loan Agreements

Reference is made to the announcement of the Company dated 11 July 2017 in relation to the controlling shareholder (within the meaning of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange) of the Company, Blooming Union Investments Limited, which is wholly owned by Mr. Wong Che Kwo and Mr. Wong Wing Wah, had disposed an aggregate of 324,700,000 shares on the open market, from 3 July 2017 to 7 July 2017, on the Stock Exchange (the “Disposal”). The shares disposed of represents approximately 26.02% of the issued share capital of the Company. Upon completion of the Disposal, Blooming Union held 611,300,000 shares of the Company, which represents approximately 48.98% of the issued share capital of the Company. The Disposal resulted in a breach of the following loan agreements:

- (i) loan agreement (“Loan agreement A”) entered into between Luen Hing Construction & Eng. Limited (“Luen Hing”), which is an indirect wholly owned subsidiary of the Company and Hongkong and Shanghai Banking Corporation Limited in respect of granting various banking facility to Luen Hing including an invoice discounting/factoring facility of HK\$34,000,000 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 and/or advance to manufacturer against sales contract of HK\$10,000,000). The Group has failed to comply with the covenant whereby Mr. Wong Che Kwo’s and Mr. Wong Wing Wah’s ultimate joint ownership of the Company shall be not less than 75% of the total issued capital of the Company. As a result of the breach, no withdrawal can be made under Loan Agreement A. As at the date of this report, the Group has cancelled the facilities granted by Hongkong and Shanghai Banking Corporation Limited.

- (ii) loan agreement (“Loan Agreement B”) entered into between Luen Hing and Bank of China (Hong Kong) Limited in respect of a general banking facility which includes an overdraft facility of HK\$6,000,000 and a term loan facility of HK\$5,585,000. The Group has failed to comply with the covenant whereby Mr. Wong Che Kwo’s and Mr. Wong Wing Wah’s ultimate joint ownership of the Company shall be maintained at no less than 51% of the total issued share capital of the Company. As a result of the breach, no withdrawal can be made under Loan Agreement B. As at the date of this report, the overdraft facility has been cancelled and the term loan has been settled.

The Group’s cash flow position may be affected by failure to maintain the banking facilities mentioned above. Financial support from the shareholder may be required from time to time to meet any cash shortfall. As at the date of this report, the shareholder of the Company has injected net amount of HK\$9,994,000 to the Group. In the meantime, the Group will also approach other banks for other alternatives. The Board considers that the Group has sufficient working capital for its present requirements having considered the financial resources available to the Group.

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 2017.

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. 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 2017 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
Wong Che Kwo
Chairman and Executive Director

Hong Kong, 13 November 2017



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 September 2017

	Note	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	3	195,700	131,538	385,838	288,678
Cost of sales		(181,458)	(124,606)	(354,280)	(269,769)
Gross profit		14,242	6,932	31,558	18,909
Other income	5	277	220	277	390
Administrative and other operating expenses		(7,331)	(2,050)	(9,132)	(8,756)
Profit from operations		7,188	5,102	22,703	10,543
Finance costs	6	(50)	(140)	(222)	(239)
Profit before income tax	7	7,138	4,962	22,481	10,304
Income tax expense	8	(1,250)	(885)	(3,924)	(2,524)
Profit for the period		5,888	4,077	18,557	7,780
Other Comprehensive expense					
Items that will be reclassified subsequently to the profit or loss:					
Change in fair value of available-for- sale financial asset		-	(434)	-	(434)
Total comprehensive income for the period attributable to equity holders of the Company		5,888	3,643	18,557	7,346
		HK cents	HK cents	HK cents	HK cents
Earnings per share attributable to equity holders of the Company					
Basic and diluted	11	0.47	0.33	1.49	0.63

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)*As at 30 September 2017*

	Note	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	38,885	37,557
Available-for-sale financial asset	13	3,020	3,020
		41,905	40,577
Current assets			
Amounts due from customers for contract work	14	19,687	26,554
Trade and other receivables	15	157,984	120,841
Cash and bank balances	16	18,167	22,956
		195,838	170,351
Current liabilities			
Trade and other payables	17	86,359	75,881
Amounts due to customers for contract work	14	5,342	16,369
Amounts due to a shareholder		9,994	–
Obligations under finance leases	18	811	857
Bank loans	19	–	4,667
Tax payable		5,136	1,675
		107,642	99,449
Net current assets		88,196	70,902

	Note	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Total assets less current liabilities		130,101	111,479
Non-current liabilities			
Obligations under finance leases	18	540	937
Deferred tax liabilities		4,643	4,181
		5,183	5,118
Net assets		124,918	106,361
CAPITAL AND RESERVES			
Share capital	20	12,480	12,480
Reserves		112,438	93,881
Total equity attributable to equity holders of the Company		124,918	106,361

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2017

	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 2016	-	-	-	10,400	3,820	12,875	27,095
Issuance of ordinary shares pursuant to the Placing	2,080	52,000	-	-	-	-	54,080
Issuance of ordinary shares pursuant to the Capitalisation Issue	10,400	(10,400)	-	-	-	-	-
Expenses incurred in connection with the issuance of ordinary shares	-	(4,928)	-	-	-	-	(4,928)
Transactions with equity holders	12,480	36,672	-	-	-	-	49,152
Profit for the period	-	-	-	-	-	7,780	7,780
Other comprehensive expense: Change in fair value of available-for-sale financial asset	-	-	(434)	-	-	-	(434)
Total comprehensive income	-	-	(434)	-	-	7,780	7,346
Balance as at 30 September 2016 (unaudited)	12,480	36,672	(434)	10,400	3,820	20,655	83,593
Balance as at 1 April 2017	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)*For the six months ended 30 September 2017*

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net cash generated from/(used in) operating activities	4,706	(12,786)
Net cash used in investing activities	(2,863)	(24,796)
Net cash (used in)/generated from financing activities	(5,332)	53,394
Net (decrease)/increase in cash and cash equivalents	(3,489)	15,812
Cash and cash equivalents at the beginning of the period	21,656	9,280
Cash and cash equivalent at the end of the period	18,167	25,092

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 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 2017 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 2017. 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 2017.

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 2017, 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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Customer 1	171,410	102,643	337,443	225,950
Customer 2	21,009	17,370	N/A ^(note)	39,583

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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Gain on disposal of property, plant and equipment	267	–	267	–
Sundry income	10	220	10	390
	277	220	277	390

6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Finance charges on obligations under finance leases	33	23	47	60
Interests on bank loans and overdrafts	17	117	175	179
	50	140	222	239

7. PROFIT BEFORE INCOME TAX

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

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Auditor's remuneration	25	50	75	100
Depreciation:				
– own assets	1,453	1,025	2,819	1,816
– leased assets	142	188	283	375
(Gain)/Loss on disposal of property, plant and equipment, net	(267)	–	(267)	47
Site equipment rental costs (included in cost of sales)	12,871	9,370	26,200	20,549
Operating lease charges in respect of premises and office equipment	61	64	119	127

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 2017 and 2016.

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current tax				
– Hong Kong profits tax	1,218	289	3,462	305
– Deferred tax	32	596	462	2,219
Income tax expense	1,250	885	3,924	2,524

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Salaries, wages and other benefits	23,186	20,557	43,241	40,073
Contributions to defined contribution retirement plan	713	783	1,473	1,512
	23,899	21,340	44,714	41,585
Less: amount included in construction contracts in progress	(2,325)	(5,602)	(2,082)	(8,124)
	21,574	15,738	42,632	33,461

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 and 2016.

11. EARNINGS PER SHARE

The calculation of basic 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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Earnings				
Profit for the period attributable to equity holders of the Company	5,888	4,077	18,557	7,780
Number of shares				
Weighted average number of ordinary shares (in thousands)	1,248,000	1,248,000	1,248,000	1,236,571

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

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 September 2016 includes (i) 10,000 ordinary shares in issue throughout the period; and (ii) the 1,039,990,000 new ordinary shares issued pursuant to the Capitalisation Issue, as if all these shares had been in issue throughout the period, and (iii) 196,571,000 shares, representing the weighted average of 208,000,000 new ordinary shares issued pursuant to the Placing.

There were no dilutive potential ordinary shares during the periods ended 30 September 2017 and 2016 and therefore, diluted earnings per share equals to the basic earnings per share.

Note: 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 way of placing (the "Placing").

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.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired property, plant and equipment of approximately HK\$4,526,000 (six months ended 30 September 2016: HK\$19,878,000). Property, plant and equipment with net book value of approximately HK\$96,000 (six months ended 30 September 2016: HK\$65,000) were disposed of during the six months ended 30 September 2017, resulting in a net gain on disposal of approximately HK\$267,000 (six months ended 30 September 2016: net loss on disposal of approximately HK\$47,000).

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 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 2017, the available-for-sale financial asset with carrying amount of HK\$3,020,000 (31 March 2017: HK\$3,020,000).

As at 30 September 2017, 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 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Contract costs incurred plus recognised profits less recognised losses	1,422,305	1,021,851
Less: progress billings	(1,407,960)	(1,011,666)
	14,345	10,185
Recognised and included in the condensed consolidated statement of financial position as:		
– Amounts due from customers for contract work	19,687	26,554
– Amounts due to customers for contract work	(5,342)	(16,369)
	14,345	10,185

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 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Trade receivables	115,029	80,203
Retention monies receivables	41,074	34,103
Other receivables, deposits and prepayments	1,881	6,535
	157,984	120,841

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

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
0 – 30 days	51,091	52,857
31 – 60 days	63,938	27,346
	115,029	80,203

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 recognised.

As at 30 September 2017, trade receivable of HK\$Nil (31 March 2017: HK\$49,511,000) and retention money receivables of HK\$Nil (31 March 2017: HK\$8,766,000) together with related rights, title and interests under relevant construction contracts were pledged to a bank as security of banking facilities granted to the Group.

16. CASH AND CASH EQUIVALENTS

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Cash and bank balances	18,167	21,656
Short-term pledged bank deposit	–	1,300
Cash and bank balances presented in the condensed consolidated statement of financial position	18,167	22,956
Less: short-term pledged bank deposit	–	(1,300)
Cash and cash equivalents presented in the condensed consolidated statement of cash flows	18,167	21,656

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

17. TRADE AND OTHER PAYABLES

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Trade payables	56,587	52,640
Retention monies payables	22,132	14,082
Accruals and other payables	7,640	9,159
	86,359	75,881

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

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
0 – 30 days	43,203	39,563
31 – 60 days	13,384	12,032
61 – 90 days	–	1,006
Over 90 days	–	39
	56,587	52,640

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

18. OBLIGATIONS UNDER FINANCE LEASES

As at 30 September 2017, the Group had obligations under finance leases repayable as follows:

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Total minimum lease payments		
Within one year	847	916
After one year but within two years	508	661
After two years but within five years	59	306
	1,414	1,883
Future finance charges on finance leases	(63)	(89)
Present value of finance lease liabilities	1,351	1,794
Present value of minimum lease payments		
Within one year	811	857
After one year but within two years	484	636
After two years but within five years	56	301
	1,351	1,794

As at 30 September 2017, one (31 March 2017: one) of the finance lease liabilities was secured by a corporate guarantee given by the Company.

19. BANK LOANS

As at 30 September 2017, the secured bank loans were repayable as follows:

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Within one year or on demand	–	4,667

Note: As at 31 March 2017, the bank term loan bears interest on a floating basis. The effective interest rate of bank term loan was 3.45% per annum.

As at 31 March 2017, the bank term loan was secured by the land and building of the Group with carrying amount of HK\$802,000 and a corporate guarantee given by the Company.

As at 31 March 2017, the bank term loans were classified as current liabilities because the corresponding loan agreements include a clause that the bank has the overriding right to call the loan at any time regardless any other terms and maturity as set out in the loan agreements.

20. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
As at 31 March and 30 September 2017	2,000,000,000	20,000
Issued and fully paid:		
As at 31 March and 30 September 2017	1,248,000,000	12,480

21. OPERATING LEASE COMMITMENTS

As at 30 September 2017, the total future minimum lease payments under non-cancellable operating leases in respect of lease premises and office equipment were as follows:

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Within one year	715	597
In the second to fifth years	46	302
	761	899

22. RELATED PARTY TRANSACTIONS

Key management personnel compensation

The emoluments of the key management personnel during the periods ended 30 September 2017 and 2016 are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term employee benefits	6,748	1,226	8,272	2,521
Post-employment benefits	21	23	46	45
	6,769	1,249	8,318	2,566