TONG KEE (HOLDING) LIMITED
棠記（控股）有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8305

Interim Report 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Tong Kee (Holding) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.

This report will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company's website at www.tongkee.com.hk.

CONTENTS

Corporate Information	3
Management Discussion and Analysis	5
Independent Review Report on Condensed Consolidated Interim Financial Information	14
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	16
Unaudited Condensed Consolidated Statement of Financial Position	17
Unaudited Condensed Consolidated Statement of Changes in Equity	18
Unaudited Condensed Consolidated Statement of Cash Flows	19
Notes to the Unaudited Condensed Consolidated Financial Statements	20

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Heung Chung Sum *(Chairman)*
Mr. Chan Wai Hon, Alan

Non-executive Directors
Ms. Heung Joe Yee
Ms. Heung Joe Tung

Independent non-executive Directors
Dr. Ip Wai Hung
Mr. Ko Wai Shun, Wilson
Mr. Chan Chi Hang

COMPANY SECRETARY
Mr. Chan Wai Hon, Alan

COMPLIANCE OFFICER
Mr. Heung Chung Sum

COMPLIANCE ADVISER
Red Sun Capital Limited

AUTHORISED REPRESENTATIVES
Mr. Heung Chung Sum
Mr. Chan Wai Hon, Alan

AUDIT COMMITTEE
Mr. Chan Chi Hang *(Chairman)*
Dr. Ip Wai Hung
Mr. Ko Wai Shun, Wilson

REMUNERATION COMMITTEE
Dr. Ip Wai Hung *(Chairman)*
Mr. Ko Wai Shun, Wilson
Mr. Chan Chi Hang

NOMINATION COMMITTEE
Dr. Ip Wai Hung *(Chairman)*
Mr. Ko Wai Shun, Wilson
Mr. Chan Chi Hang

AUDITOR
Grant Thornton Hong Kong Limited

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Nos. 7 & 8, 8/F
Shatin Galleria
18–24 Shan Mei Street
Fotan
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

WEBSITE ADDRESS

www.tongkee.com.hk

STOCK CODE

8305

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Company and its subsidiaries (collectively referred to as the "Group") is an established multi-disciplinary contractor for the provision of renovation and maintenance works, alteration and addition works ("RMAA"), new construction works, and cathodic protection works in Hong Kong. The Group is responsible for the overall management, implementation and supervision of projects. The Group focuses on the management of projects, development of work programmes, procurement of works materials, operation of site works, co-ordination with the customers or their consultants and quality control of the works carried by the employees and the subcontractors.

For RMAA works, the Group provides repair, alteration and addition, maintenance, modification, rehabilitation, steel, civil and demolition works in various venues such as residential building, commercial building, carpark, road, footbridge and theme park in Hong Kong. For new construction works, the Group provides a variety of constructions and related alteration and additions works and facilities such as noise mitigation work, architectural metalwork, bus shelter, dangerous goods store building, innovative and creative structure such as air balloon. For cathodic protection works, the Group provides installation of cathodic protection systems including sacrificial anodes protection and impressed current systems.

For the six months ended 30 June 2018 ("Relevant Period"), there were 118 projects (2017: 99 projects) with revenue contribution undertaken by the Group. The demands for the Group's RMAA and fitting-out works services remained at a high level and thus, the revenue of the Group recorded a significant growth in current period. During the six months ended 30 June 2018, the Group was awarded 29 new projects, with total original contract sum of approximately $58.2 million.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the property market and expansion on the infrastructure in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the Hong Kong RMAA and new construction works industry. With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to strengthen the market position in the industry and expand the market share by securing more RMAA and cathodic protection works contracts by utilising the net proceeds from the Listing of the Shares on GEM of the Stock Exchange on 4 July 2018 (the "Listing Date").

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue increased from approximately HK$94.6 million for the six months ended 30 June 2017 to approximately HK$121.3 million for the six months ended 30 June 2018, representing a growth of approximately 28.2%. Such increase was mainly due to the increase in RMAA and cathodic protection works projects undertaken by the Group as a result of the overall development in the construction industry in Hong Kong.

Direct Cost

The cost of sales increased from approximately HK$81.6 million for the six months ended 30 June 2017 to approximately HK$103.3 million for the six months ended 30 June 2018, representing an increase of approximately 26.6%. Such increase was mainly attributable to the increase in the subcontracting charges and staff costs incurred with the increase in the number of RMAA and cathodic protection work projects undertaken by the Group during the period.

Gross Profit

Gross profit of the Group increased by approximately HK$5.0 million from approximately HK$13.0 million for the six months ended 30 June 2017 to approximately HK$18.0 million for the six months ended 30 June 2018. The increase was mainly driven by the increase in revenue for the six months ended 30 June 2017 as discussed above. The overall gross profit margin increased from approximately 13.8% for the six months ended 30 June 2017 to approximately 14.8% for the six months ended 30 June 2018 as the projects undertaken by the Group during the six months ended 30 June 2018 are generally in higher gross profit margin, resulting in the extent of increase in revenue is more than that of the increase in subcontracting charges, staff cost and construction material costs for the six months ended 30 June 2018.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK$1.4 million or 21.5% from approximately HK$6.5 million for the six months ended 30 June 2017 to approximately HK$7.9 million for the six months ended 30 June 2018.

Administrative expenses primarily consist of staff costs, depreciation, transportation and motor vehicle expense, and other costs incurred for daily operation. The increase was mainly attributable to the increase in staff costs paid to staff due to business expansion.

Listing Expenses

During the six months ended 30 June 2018 and 2017, the Group recognised non-recurring Listing expenses of approximately HK$4.5 million and HK$4.1 million respectively, as expenses in connection with its Listing exercise.

Finance Costs

Finance costs for the Group increased by approximately HK$0.2 million or 40% from approximately HK$0.5 million for the six months ended 30 June 2017 to approximately HK$0.7 million for the six months ended 30 June 2018. It was mainly due to the increase in usage of loan settlement for trade payables during the six months ended 30 June 2018.

Income Tax Expense

Income tax expense for the Group increased by approximately HK$0.7 million or 77.8% from approximately HK$0.9 million for the six months ended 30 June 2017 to approximately HK$1.6 million for the six months ended 30 June 2018. The increase was mainly attributable to the increase in profit before taxation (excluding the Listing expenses and change in fair value of financial assets at fair value through profit or loss) from approximately HK$6.1 million for the six months ended 30 June 2017 to approximately HK$9.8 million for the six months ended 30 June 2018.

Profit for the Period

Profit for the period increased by approximately HK$0.8 million or 80% from HK$1 million for the six months ended 30 June 2017 to HK$1.8 million for the six months ended 30 June 2018. Such increase was primarily attributable to the net effect of the increase in revenue, gross profit, administrative expense and tax expense as discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio decreased mildly from approximately 1.4 times as at 31 December 2017 to 1.2 time as at 30 June 2018.

As at 30 June 2018, the Group had total borrowings of approximately HK$36.4 million (31 December 2017: approximately HK$19.9 million). The gearing ratio, calculated based on the interest-bearing liabilities divided by total equity at the end of the year/period and multiplied by 100%, increased from approximately 64.8% as at 31 December 2017 to approximately 116.5% as at 30 June 2018 due to the expansion of the Group's business which requires with more capital via bank borrowing. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

The Group's borrowings and bank balances are denominated in HK$ and there was no significant exposure to foreign exchange rate fluctuations during the Relevant Period.

For further details regarding the borrowings, please refer to notes 13 and 14.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Relevant Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CAPITAL STRUCTURE

During the period and 30 June 2018, the Company increased its authorised share capital to HK$100,000,000 and the number of its issued ordinary shares was 1,000 of HK$0.01 each.

The shares of the Company were subsequently listed on the GEM of the Stock Exchange on 4 July 2018. There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises of ordinary shares.

As at the date of this report, the Company's issued share capital was HK$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK$0.01 each.

COMMITMENTS

The operating lease commitments of the Group were primarily related to the leases of its office premise and carpark spaces. The Group's operating lease commitments amounted to approximately HK$710,000 as at 30 June 2018 (31 December 2017: approximately HK$1,185,000).

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed on note 4.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2018, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

Save as disclosed on note 19, the Group did not have other material contingent liabilities.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's revenue generating operations are mainly transacted in HK$. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

CHARGE OF GROUP'S ASSETS

As at 30 June 2018, the Group pledged certain amount of land and building and investments in life insurance policies to secure short-term bank borrowings and other general banking facilities granted to the Group. For details, please refer to note 14.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed a total of 119 employees (31 December 2017: 112 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$17.6 million for the six months ended 30 June 2018 (2017: approximately HK$14.3 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

USE OF PROCEEDS

The Company was listed on 4 July 2018, no proceed have been used since that day and up to the date of this report.

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2018, the Company was wholly owned by Advanced Pacific Enterprises Limited, which the ultimate owner is Mr. Heung Chun Sum.

As at the date of this report, interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (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 Company's Shares

Name of Director	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Heung Chung Sum	Interest in a controlled corporation	600,000,000 ordinary shares	75%

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

Name of Director	Name of associated corporations	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Heung Chung Sum	Advanced Pacific Enterprises Limited	Beneficial owner	2 ordinary shares	100%

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the date of this report, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number and class of securities	Long/short position	Approximate percentage of shareholding
Advanced Pacific Enterprises Limited	Beneficial owner	600,000,000 ordinary shares	Long	75%

Save as disclosed above, as at the date of this report 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" 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 AND CONFLICTS OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the period ended 30 June 2018.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Red Sun Capital Limited ("Red Sun"), as at 30 June 2018, save for the compliance adviser agreement dated on 9 November 2017 entered into between the Company and Red Sun, neither Red Sun, its directors, employees and associates had any interests in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

PURCHASE, SALES 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 period ended 30 June 2018.

CORPORATE GOVERNANCE CODE

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Heung Chung Sum currently assumes the role of both chairman of the Company and chief executive of the Company. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

As at 30 June 2018, save as disclosed above, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all the Directors and the Company was not aware of any noncompliance with the required standard of dealings regarding securities transactions by the Directors throughout the period ended 30 June 2018.

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 4 June 2018 ("the Scheme"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share options has been granted during the Relevant Period and there were no share options outstanding as at 30 June 2018.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") with its written terms of reference in compliance with the GEM Listing Rules, in accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company's annual report and interim financial reports before submission to the Board. The Audit Committee consists of three members, namely Mr. Chan Chi Hang, Dr. Ip Wai Hung, Mr. Ko, Wilson Wai Shun, all being independent non-executive Directors of the Company. Mr. Chan Chi Hang currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018, which have been reviewed by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

By order of the Board
Tong Kee (Holding) Limited
Heung Chung Sum
Chairman and Executive Director

Hong Kong, 13 August 2018

As at the date of this report, the executive Directors are Mr. Heung Chung Sum and Mr. Chan Wai Hon, Alan, and the non-executive Directors are Ms. Heung Joe Yee, Ms. Heung Joe Tung, and the independent non-executive Directors are Dr. Ip Wai Hung, Mr. Ko, Wilson Wai Shun, and Mr. Chan Chi Hang.

INDEPENDENT REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Grant Thornton
致同

TO THE BOARD OF DIRECTORS OF TONG KEE (HOLDING) LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Tong Kee (Holding) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

13 August 2018

Shaw Chi Kit
Practising Certificate No.: P04834

INTERIM RESULT

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018, together with the unaudited comparative figures for the corresponding period in 2017, as follows:

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

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2018

		Three months ended 30 June		Six months ended 30 June	
	Notes	**2018 HK$'000 (unaudited)**	2017 HK$'000 (unaudited)	**2018 HK$'000 (unaudited)**	2017 HK$'000 (unaudited)
Revenue	*4*	**63,441**	62,881	**121,266**	94,628
Direct costs		**(51,890)**	(53,888)	**(103,306)**	(81,603)
Gross profit		**11,551**	8,993	**17,960**	13,025
Other income		**86**	9	**405**	90
Administrative expenses		**(4,199)**	(3,290)	**(7,903)**	(6,527)
Loss arising from change in fair value of financial assets at fair value through profit or loss		**(1,911)**	–	**(1,911)**	–
Listing expenses		**(3,238)**	(2,824)	**(4,451)**	(4,132)
Finance costs		**(418)**	(295)	**(685)**	(524)
Profit before income tax	5	**1,871**	2,593	**3,415**	1,932
Income tax expense	6	**(1,242)**	(826)	**(1,644)**	(947)
Profit for the period		**629**	1,767	**1,771**	985
Other comprehensive income *Item that will be reclassified subsequently to profit or loss:* Change in fair value of available-for-sale financial asset		**–**	16	**–**	32
Total comprehensive income for the period		**629**	1,783	**1,771**	1,017
Earnings per share — Basic and diluted (HK cents)	*8*	**0.10**	0.28	**0.28**	0.15

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	As at 30 June 2018 HK$'000 (unaudited)	As at 31 December 2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		4,827	4,778
Financial assets at fair value through profit or loss	*9*	7,313	–
Available-for-sale financial asset		–	2,099
		12,140	6,877
Current assets			
Contract assets	*11*	57,801	–
Trade and other receivables	*10*	61,932	43,460
Amounts due from customers for contract work		–	33,534
Amount due from Controlling Shareholder		–	13,207
Pledged bank deposit		–	1,002
Bank balances and cash		12,820	2,302
		132,553	93,505
Current liabilities			
Bank overdrafts		–	3,265
Contract liabilities	*11*	4,760	–
Trade and other payables	*12*	70,363	44,664
Amounts due to customers for contract work		–	4,423
Amount due to Controlling Shareholder		52	–
Obligations under finance leases	*13*	406	481
Bank borrowings	*14*	34,898	15,045
Income tax payables		1,685	415
		112,164	68,293
Net current assets		20,389	25,212
Total assets less current liabilities		32,529	32,089
Non-current liability			
Obligations under finance leases	*13*	1,092	1,142
Deferred tax liabilities		185	185
		1,277	1,327
Net assets		31,252	30,762
Capital and reserves			
Share capital	*15*	–*	–*
Reserves		31,252	30,762
Total equity		31,252	30,762

* Represented amount of less than HK$1,000.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Share capital HK$'000 *(Note 15)*	Capital reserve HK$'000 *(Note)*	Available-for-sale financial asset reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 31 December 2017 as originally presented (audited)	**–***	**3,610**	**(63)**	**27,215**	**30,762**
Change in accounting policies (note 3)	**–**	**–**	**63**	**(1,344)**	**(1,281)**
At 1 January 2018	**–***	**3,610**	**–**	**25,871**	**29,481**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**1,771**	**1,771**
At 30 June 2018 (unaudited)	**–***	**3,610**	**–**	**27,642**	**31,252**
At 1 January 2017 (audited)	–	3,610	(126)	23,701	27,185
Profit for the period	–	–	–	985	985
Other comprehensive income for the period — change in fair value of available-for-sale financial asset	–	–	32	–	32
Total comprehensive income	–	–	32	985	1,017
At 30 June 2017 (unaudited)	–	3,610	(94)	24,686	28,202

Note: Capital reserve represents the difference between the Company's share capital and the combined share capital of the subsidiaries of the Company pursuant to a reorganisation for the listing.

* Represented amount of less than HK$1,000.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Net cash (used in)/generated from operating activities	(11,701)	11,205
Investing activities		
Purchase of property, plant and equipment	(95)	(474)
Proceeds from disposal of property, plant and equipment	–	52
Acquisition of financial assets at fair value through profit or loss	(7,125)	–
Withdrawal of pledged bank deposit	1,002	–
Net cash used in investing activities	(6,218)	(422)
Financing activities		
Proceeds from bank borrowings	50,670	19,670
Repayment of bank borrowings	(30,817)	(15,752)
Payment of obligations under finance leases	(725)	(284)
Net changes in amount due from/to Controlling Shareholder	13,259	(4,549)
Interest paid	(685)	(524)
Net cash generated from/(used in) financing activities	31,702	(1,439)
Net increase in cash and cash equivalents	13,783	9,344
Cash and cash equivalents at the beginning of the period	(963)	(87)
Cash and cash equivalents at the end of the period	12,820	9,257
Analysis of cash and cash equivalent balances		
Bank balances and cash	12,820	12,467
Bank overdrafts	–	(3,210)
	12,820	9,257

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 April 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The immediate and ultimate holding company is Advanced Pacific Enterprises Limited, a company incorporated in the British Virgin Islands, which is controlled by Mr. Heung Chung Sum ("Controlling Shareholder" or "Mr. Heung"). The address of the registered office and principal place of business of the Company are at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and Nos. 7 & 8, 8/F, Shatin Galleria, 18–24 Shan Mei Street, Fotan, New Territories, Hong Kong, respectively. The Company's shares are subsequently listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 2018 (the "Listing").

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are multi-disciplinary contractors which are principally engaged in performing repair, maintenance, alteration and addition ("RMAA") works, new construction works and cathodic protection works in Hong Kong.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollar ("HK$") which is the same as the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands ("HK$'000"), except where otherwise indicated.

2. BASIS OF PREPARATION AND REORGANISATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have 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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial information for the year ended 31 December 2017 as set out in the prospectus of the Company dated 20 June 2018 ("Prospectus").

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the Group's audited consolidated financial information for the year ended 31 December 2017, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for accounting periods beginning on or after 1 January 2018. Except for those disclosed in note 3, the effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position.

Pursuant to the reorganisation of the Group in connection with the listing of the shares of the Company on the GEM (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 20 October 2017. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

2. BASIS OF PREPARATION AND REORGANISATION (CONTINUED)

As all the companies now comprising the Group that took part in the Reorganisation were under the common control of the Controlling Shareholder and his spouse, Ms. Li Mei Shan, ("Ms. Li") before and after the Reorganisation, there was a continuation of risk and benefits to the Controlling Shareholder and Ms. Li and accordingly, the Reorganisation is considered to be a business combination of entities under common control. The unaudited condensed financial statements of the Group has been prepared by applying the merger basis of accounting as if the companies now comprising the Group have been consolidated throughout the six months ended 30 June 2017, or since their respective dates of incorporation, whichever was shorter. The assets and liabilities of all the companies now comprising the Group are consolidated using the book values from the Controlling Shareholder's perspective.

The preparation of the unaudited condensed consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise their judgments in the process of applying the Group's accounting policies.

These condensed consolidated interim financial statements are unaudited, but has been reviewed by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

(a) New and amended HKFRSs adopted as at 1 January 2018

In the current period, the Group has applied for the first time the new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's condensed consolidated financial statements for the annual period beginning on 1 January 2018.

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 January 2018. In accordance with the transition guidance, HKFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) New and amended HKFRSs adopted as at 1 January 2018 (Continued)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

In summary, the following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 January 2018):

	Carrying amount as at 31 December 2017 under HKAS 18	Reclassification	Carrying amount as at 1 January 2018 under HKFRS 15
	HK$'000	HK$'000	HK$'000
Current assets			
Amounts due from customers for contract work	33,534	(33,534)	–
Contract assets	–	33,534	33,534
Current liabilities			
Amounts due to customers for contract work	4,423	(4,423)	–
Contract liabilities	–	4,423	4,423

Contract liabilities are obligations to transfer goods or services to a customer for which the Group has received consideration, or for which an amount of consideration is due from the customer.

Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time.

The adoption of HKFRS 15 has no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of cash flows.

HKFRS 9 "Financial instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in retained profits.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) New and amended HKFRSs adopted as at 1 January 2018 (Continued)

HKFRS 9 "Financial instruments" (Continued)

The adoption of HKFRS 9 has impacted the following areas:

- for trade receivables, retention receivables and contract assets, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component; and

- for available-for-sale financial asset under HKAS 39 has been reclassified as financial asset at fair value through profit or loss under HKFRS 9. Fair value changes previously accounted for in other comprehensive income has transferred to the opening balance of retained profits as at 1 January 2018.

  In summary, the following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 January 2018):

	Carrying amount as at 31 December 2017 under HKAS 39 HK$'000	Reclassification HK$'000	Carrying amount as at 1 January 2018 under HKFRS 9 HK$'000
Non-current assets			
Available-for-sale financial asset	2,099	(2,099)	–
Financial asset at fair value through profit or loss	–	2,099	2,099

The following table summarises the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained profits:

	Impact of adopting HKFRS 9 on opening balance HK$'000
Retained earnings	
Recognition of expected credit losses under HKFRS 9	(1,281)
Reclassification from available-for-sale financial asset to financial asset at fair value through profit or loss	63
Impact at 1 January 2018	(1,344)

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out in note 3(c)(ii).

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Issued but not yet effective HKFRSs

The Group has not applied any new and amended HKFRSs that have been published by the HKICPA but are not yet effective for the current accounting period. The Group has commenced an assessment of the impact of these new standards and amendments, but is not yet in a position to state whether they would have a significant impact on its results and financial position.

Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's condensed consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

As set out in note 16, total operating lease commitment of the Group as at 30 June 2018 amounted to approximately HK$710,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results and financial position but it is expected that certain portion of these commitments will be required to recognise in the condensed consolidated statement of financial position as right-of-use assets and lease liabilities; except for the short-term leases of less than twelve months and leases of low-value assets that are exempted from applying this accounting model as a practical expedient. As at 30 June 2018, the operating lease commitments amounted to HK$636,000 (represents exclusion of short-term leases of less than twelve months) would be required to recognised in the condensed consolidated financial statements as right-of-use assets and lease liabilities if HKFRS 16 would have been applied.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies

The condensed consolidated financial information has been prepared in accordance with the accounting policies adopted in the Prospectus of the Group, except for the effects of applying HKFRS 15 and HKFRS 9.

(i) Revenue Recognition

Revenue arises mainly from the provision of performing RMAA works, new construction works and cathodic protection works in Hong Kong.

To determine whether to recognise revenue, the Group follows a 5-step process:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(ii) the Group's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

(iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customers obtains control of the asset.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

(i) Revenue Recognition (Continued)

(a) Revenue from construction service contracts

Revenue from construction service contracts is recognised progressively based on the contract costs incurred to date as a percentage of total forecast costs to depict the transfer of control of the goods or services to the customer. The Group recognises revenue over time only if it can reasonably measure its progress toward complete satisfaction of the performance obligation.

However, if the Group cannot reasonably measure the outcome but expects to recover the costs incurred in satisfying the performance obligation, then it recognises revenue to the extent of the cost incurred.

Incremental cost of obtaining a contract is capitalised if the Group expects to recover those costs, unless the amortisation period for such costs would be one year or less. Costs that will be incurred regardless of whether the contract is obtained are expensed as they are incurred.

The Group presents a contract liability or a contract asset in its condensed consolidated statements of financial position when either party to the contract has performed. The Group performs by transferring goods or services to the customer, and the customer performs by paying consideration to the Group. Any unconditional rights to consideration are presented separately as "Trade receivables".

Contract liabilities are obligations to transfer goods or services to a customer for which the Group has received consideration, or for which an amount of consideration is due from the customer.

Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time.

(b) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

(ii) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables and retention receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss ("FVTPL")
- fair value through other comprehensive income ("FVOCI")

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for impairment of trade receivables and retention receivables which is presented within administrative expenses.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables, amount due from Controlling Shareholder, pledged deposits and cash and bank balances fall into this category of financial instruments.

Financial assets at FVTPL

Financial assets that are held within a different business model than 'hold to collect' or 'hold to collect and sell', and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category.

This category contains investments in life insurance policies. The Group accounts for the investments at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Impairment of financial assets

HKFRS 9's new impairment requirements use more forward-looking information to recognise expected credit losses — the "expected credit loss" ("ECL") model. This replaces HKAS 39's "incurred loss model". Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost, trade and other receivables and contract assets.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Group's financial assets fall into this category.

"12-month expected credit losses" are recognised for the first category while "lifetime expected credit losses" are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The adoption of HKFRS 9 in relation to the provision of expected credit loss led to a decrease in trade and other receivables of approximately HK$1,248,000, decrease in contract assets of approximately HK$33,000 and a decrease of retained profits amounting to approximately HK$1,281,000.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Impairment of financial assets (Continued)

Trade receivables, retention receivables and contract assets

The Group makes use of a simplified approach in accounting for trade receivables, retention receivables and contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The loss allowances as at 1 January 2018 determined for trade receivable, retention receivables and contract assets were as follows:

Trade receivables	Neither pass due nor impaired HK$'000	Less than 30 days past due HK$'000	31 days to 60 days past due HK$'000	61 days to 90 days past due HK$'000	91 days to 365 days past due HK$'000	Over 365 days past due HK$'000	Total HK$'000
At 1 January 2018							
Expected loss rate	0.1%	0.5%	1.0%	10.0%	20.0%	100%	
Gross carrying amount	13,335	5,348	766	467	4,193	40	24,149
Loss allowance provision	13	27	8	46	838	40	972

Retention Receivables	Neither pass due nor impaired HK$'000	Less than 30 days past due HK$'000	31 days to 60 days past due HK$'000	61 days to 90 days past due HK$'000	91 days to 365 days past due HK$'000	Over 365 days past due HK$'000	Total HK$'000
At 1 January 2018							
Expected loss rate	0.1%	0.5%	1.0%	10.0%	20.0%	100%	
Gross carrying amount	9,502	46	10	45	1,003	59	10,665
Loss allowance provision	10	–	1	5	201	59	276

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Impairment of financial assets (Continued)

Trade receivables, retention receivables and contract assets (Continued)

Contract assets are related to unbilled work in progress which have substantially the same risk characteristics as the trade receivables for the same type of contract. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Since the contract assets are still in performing and the payment is not due. The expected loss rate of contract assets is assessed to be 0.1% which is the same as that of trade receivables neither pass due nor impaired.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group considered counter parties having a low risk of default and a strong capacity of to meet contractual cash flow as performing.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under HKFRS 9 compared to HKAS 39, the Group's financial liabilities were not impacted by the adoption of HKFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include bank borrowings and overdrafts, trade and other payables, amount due to Controlling Shareholder and obligations under finance leases.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges that are reported in profit or loss are included within finance costs.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents receipts from the provision of performing RMAA works, new construction works and cathodic protection works in Hong Kong.

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
RMAA works	**55,166**	52,620	**99,834**	73,180
New construction works	**3,158**	2,780	**4,461**	4,639
Cathodic protection works	**5,117**	7,481	**16,971**	16,809
Contract revenue	**63,441**	62,881	**121,266**	94,628

The chief operating decision-maker ("CODM") has been identified as the executive Directors of the Company. The CODM regards the Group's business of performing RMAA works, new construction works and cathodic protection works in Hong Kong as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

(a) Geographical information

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

(b) Major customers

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

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Customer A	**30,810**	26,828	**58,908**	45,421
Customer B	**13,197**	10,199	**20,303**	14,795

(c) Unsatisfied performance obligations

At 30 June 2018, the Group had unsatisfied performance obligations of approximately HK$177,649,000 (31 December 2017: HK$117,299,000).

5. PROFIT BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)	**2018 HK$'000 (unaudited)**	2017 HK$'000 (unaudited)
(a) Staff costs (including directors' remuneration):				
Salaries and other allowances	**9,204**	7,899	**17,612**	14,346
Retirement benefit scheme contributions	**391**	349	**746**	686
	9,595	8,248	**18,358**	15,032
(b) Other items				
Auditor's remuneration	**227**	10	**227**	10
Depreciation of property, plant and equipment				
— leased	**157**	160	**302**	302
— owned	**172**	138	**344**	263
Exchange losses, net	**–**	–	**10**	–
Operating lease charges in respect of				
— Premises	**187**	144	**379**	292
— Machinery	**23**	41	**49**	77
Reversal of loss allowance provision	**–**	–	**(321)**	–

6. INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is accordingly not subject to income tax in the Cayman Islands.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the period ended 30 June 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

6. INCOME TAX EXPENSE (CONTINUED)

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two tiered profits tax rates regime will be applicable to Tong Kee Engineering Limited ("TKEL") for its annual reporting periods beginning on or after 1 January 2018.

	Three months ended 30 June		Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)	**2018 HK$'000 (unaudited)**	2017 HK$'000 (unaudited)
Hong Kong Profits Tax				
— Current year	**1,242**	826	**1,644**	947

7. DIVIDEND

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

8. EARNINGS PER SHARE

The calculations of basic earnings per share attributable to the equity holders of the Company are based on the followings:

	Three months ended 30 June		Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)	**2018 HK$'000 (unaudited)**	2017 HK$'000 (unaudited)
Earnings:				
Profit for the period attributable to equity holder of the Company	**629**	1,767	**1,771**	985
Number of shares:				
Weighted average number of ordinary shares (in thousands)	**640,000**	640,000	**640,000**	640,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and capitalisation issue had been effective on 1 January 2017.

Diluted earnings per share for both periods were the same as basic earning per share as there were no potential ordinary shares outstanding.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Investments in life insurance policies	**7,313**	–

The investment was reclassified from available-for-sale financial asset of HK$2,099,000 at 1 January 2018 after the adoption of HKFRS 9 as detailed in note 3.

In August 2012, the Group's subsidiary, TKEL entered into a life insurance policy with an insurance company to insure Mr. Heung, a director of the Company. Under the policy, the beneficiary and the policy holder is TKEL and the total insured sum is US$800,000 (equivalent to approximately HK$6,240,000). The Group was required to pay a one-off premium payment of US$278,000 (equivalent to approximately HK$2,162,000). 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 withdrawal ("Cash Value"), which is determined by the premium payment plus accumulated interest earned minus the accumulated insurance charges, policy expense charges and a specified amount of surrender charge if the withdrawal is made between 1st to 18th policy year.

In May 2018, the Group's subsidiary, TKEL entered into another life insurance policy with another insurance company to insure Mr. Heung, a director of the Company. Under the policy, the beneficiary and the policy holder is TKEL and the total insured sum is US$1,400,000 (equivalent to approximately HK$10,920,000). The Group was required to pay a one-off premium payment of US$917,000 (equivalent to approximately HK$7,153,000). The Group can terminate the policy at any time and receive cash back based on the Cash Value, which is determined by the premium payment plus accumulated interest earned minus the accumulated insurance charges, policy expense charges and a specified amount of surrender charge if the withdrawal is made between 1st to 15th policy year.

Financial assets and liabilities measured at fair value in the condensed consolidated statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety based on the lowest level of input that is significant to the fair value measurement. The financial assets and liabilities measured at fair value are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 30 June 2018 (unaudited)				
Financial assets at fair value through profit or loss				
— Investments in life insurance policies	–	7,313	–	7,313
As at 31 December 2017 (audited)				
Available-for-sale financial asset				
— Investment in a life insurance policy	–	2,099	–	2,099

During the six months period ended 30 June 2018 and the year ended 31 December 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The fair value of investments in life insurance policies are determined by reference to the Cash Value as provided by the insurance companies.

10. TRADE AND OTHER RECEIVABLES

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Trade receivables	38,472	24,149
Retention receivables (note i)	13,214	10,665
Less: loss allowance provision	(904)	–
	50,782	34,814
Deposits, prepayments and other receivables	4,796	3,535
Security for issuance of performance bonds	1,898	1,813
Prepaid listing expenses	4,456	3,298
	61,932	43,460

Note:

(i) As at 30 June 2018 (unaudited) and 31 December 2017 (audited), none of the retention receivables included under current assets in the unaudited condensed consolidated statement of financial position are expected to be recovered after one year.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The Group usually grants credit period ranging from 30 to 60 days to customers other than retention receivables. The terms and conditions in relation to the release of retention vary from contract to contract, which will be subject to the completion of the construction works and expiry of the defect liability period. In general, the retention money will be released upon the expiry of the defect liability period, which is typically one year after completion of construction works.

The movement in the loss allowance provision is as follows:

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
At the beginning of the period/year as originally presented	–	–
Change in accounting policies (note 3)	1,248	–
At the beginning of the period/year	1,248	–
Reversal of loss allowance provision	(344)	–
At the end of the period/year	904	–

The Group applies simplified approach to provide for expected credit losses prescribed in HKFRS 9 as disclosed in note 3. Provision for or reversal of impaired receivables have been included in "administrative expenses" or "other income" in the unaudited condensed consolidated statement of profit or loss and other comprehensive income respectively.

The following is an ageing analysis of trade receivables before loss allowance provision presented based on invoice dates at the end of the reporting period:

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
0 – 30 days	24,808	11,426
31 – 60 days	9,423	7,006
61 – 90 days	1,609	766
91 – 365 days	2,263	4,828
Over 365 days	369	123
	38,472	24,149

11. CONTRACT ASSETS/CONTRACT LIABILITIES

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Contract assets	57,858	–
Amounts due from customers for contract work	–	33,534
Less: Loss allowance provision (note)	(57)	–
	57,801	33,534
Contract liabilities	(4,760)	–
Amounts due to customers for contract work	–	(4,423)
	53,041	29,111
Contract costs incurred plus recognised profits less recognised losses	285,422	190,201
Less: Progress billings	(232,324)	(161,090)
Less: Loss allowance provision	(57)	–
	53,041	29,111

Note:

The Group applies simplified approach to provide for expected credit losses prescribed in HKFRS 9 as disclosed in note 3. Provision for impaired contract assets have been included in "administrative expenses" in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

	30 June 2018	
	Contract assets HK$'000 (unaudited)	Contract liabilities HK$'000 (unaudited)
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	–	3,124
Transfers from contract assets recognised at the beginning of the period to receivables	(14,799)	–

12. TRADE AND OTHER PAYABLES

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Trade and retention payables		
— Trade payables	54,423	33,850
— Retention payables	5,148	4,737
	59,571	38,587
Accrued expenses and other payable	10,792	6,077
Total trade and other payables	70,363	44,664

The credit period on trade payables ranges from 30 to 60 days.

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
0 – 30 days	53,258	32,810
31 – 60 days	955	997
61 – 90 days	179	34
91 – 365 days	31	9
	54,423	33,850

13. OBLIGATIONS UNDER FINANCE LEASES

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Total minimum lease payments:		
— Within one year	462	542
— After one year but within two years	371	409
— After two years but within five years	796	780
— After five years	–	38
	1,629	1,769
Future finance charges on finance leases	(131)	(146)
Present value of finance lease liabilities	1,498	1,623

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Present value of minimum lease payments:		
— Within one year	406	481
— After one year but within two years	334	368
— After two years but within five years	758	737
— After five years	–	37
	1,498	1,623
Less: Portion due within one year included under current liabilities	(406)	(481)
Portion due after one year included under non-current liabilities	1,092	1,142

The Group has entered into finance leases for motor vehicles. The lease periods ranged from 3 to 6 years.

Finance lease liabilities are effectively secured by personal guarantees provided by the Controlling Shareholder and the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

14. BANK BORROWINGS

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Bank loans, secured		
— repayable within one year or contain a repayable on demand clause	30,249	13,429
— not repayable within one year from the end of the reporting period but contain a repayable on demand clause	4,649	1,616
Amount shown under current liabilities	34,898	15,045

The bank loans were secured by:

(a) land and building with a net book amount of HK$1,855,000 (2017: HK$1,891,000) as at 30 June 2018;

(b) personal guarantees and pledged assets as provided by Controlling Shareholder as at 30 June 2018 and 31 December 2017;

(c) legal charge on life insurance policies with a carrying amount of HK$7,313,000 (2017: HK$2,099,000) as at 30 June 2018;

(d) guarantee as provided by the Government of Hong Kong Special Administrative Region under the Small and Medium Enterprise Loan Guarantee — For Working Capital Loan as at 31 December 2017. The guarantee was withdraw during the six months ended 30 June 2018; and

(e) pledged bank deposit of HK$1,002,000 as at 31 December 2017. The pledged bank deposits were released during the six months ended 30 June 2018.

These bank borrowings are drawn under banking facilities.

15. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised		
At 1 January 2018 (audited)	38,000,000	380
Increase in authorised share capital during the period (note i)	9,962,000,000	99,620
At 30 June 2018 (unaudited)	10,000,000,000	100,000
Issued and fully paid		
At 1 January 2018 (audited) and 30 June 2018 (unaudited)	1,000	–*

* Represented amount of less than HK$1,000

Note:

(i) Pursuant to the written resolutions of the sole shareholder passed on 4 June 2018, the authorised share capital of the Company increased from HK$380,000 to HK$100,000,000 by creation of an additional 9,962,000,000 shares.

16. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Within one year	574	905
In the second to fifth years inclusive	136	278
	710	1,183

17. RELATED PARTY DISCLOSURES

(i) Transactions

In addition to the transactions detailed elsewhere in these unaudited condensed consolidated financial statements, the Group entered into the following transactions with related parties during the year:

		Three months ended 30 June		Six months ended 30 June	
Related parties	Nature of transactions	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Mr. Heung Chung Sum	Operating lease charge paid	42	–	84	20

(ii) Compensation of key management personnel

	Three months ended 30 June		Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Salaries and other allowances	1,224	1,012	2,448	2,021
Retirement benefits scheme contributions	43	38	68	58
	1,267	1,050	2,516	2,079

The remuneration of key management personnel is determined with regard to the performance of the individuals and market trends.

18. NON-CASH TRANSACTION

For the six months period ended 30 June 2018, the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value at the inception of lease of HK$600,000 (30 June 2017: HK$818,000).

19. CONTINGENT LIABILITIES

A claim in the amount of approximately HK$4,290,000 (the "Claim") was filed against a subsidiary of the Group in previous year by an ex-employee for personal injury. The directors considered the Claim would be covered by the insurance obtained by the subsidiary and the Claim would not have any material financial impact on the Group. Accordingly, no provision has been made in the condensed consolidated financial statements.

20. SUBSEQUENT EVENT

The Company was subsequently listed on the GEM of The Stock Exchange of Hong Kong Limited on 4 July 2018.

The following significant transactions took place subsequent to 30 June 2018:

(a) Pursuant to the written resolutions of the sole shareholder of the Company passed on 4 June 2018, conditional upon the share premium account of the Company being credited as a result of the issue of the new share as a result of the Listing, the Directors were authorised to capitalise an amount of HK$6,399,990 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 639,999,000 shares for allotment and issue to person(s) whose name(s) appear(s) on the register of members of the Company on the date immediately before the date of the Listing in accordance with their respective shareholding in the Company or in accordance with the direction of such member. Such capitalisation issue has been completed on 4 July 2018.

(b) On 4 July 2018, the shares of the Company were listed on the GEM of the Stock Exchange. In connection with the Listing, the Company issued 160,000,000 shares pursuant to the initial public offer at a price of HK$0.3 each for gross proceeds of HK$48 million.