

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

2019

INTERIM REPORT





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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Luen Wong Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together, the “Group”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. So Kwok Hung (*Chairman*)

Ms. Yu Xiao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liao Honghao

Mr. Tai Hin Henry

Mr. Wong Chi Kan

COMPANY SECRETARY

Mr. So Pan

AUDIT COMMITTEE

Mr. Wong Chi Kan (*Chairman*)

Mr. Tai Hin Henry

Mr. Liao Honghao

REMUNERATION COMMITTEE

Mr. Wong Chi Kan (*Chairman*)

Ms. Yu Xiao

Mr. Liao Honghao

NOMINATION COMMITTEE

Mr. So Kwok Hung (*Chairman*)

Mr. Wong Chi Kan

Mr. Tai Hin Henry

REGISTERED OFFICE

PO Box 1350

Clifton House 75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 703A, 7/F

Gee Tuck Building

16-20 Bonham Strand

Sheung Wan

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited

PO Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited

Suite 3301-4

Two Chinachem Exchange Square

338 King's Road

North Point

Hong Kong

AUDITORS

Elite Partners CPA 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 19 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 Group experienced a decrease in revenue for the six months ended 30 September 2019 compared with the corresponding period in 2018. Such decrease was mainly due to the negative effect arose from social demonstration which affect the progress of several on-going construction projects and the overall economic depression in Hong Kong and the global.

In the 2019-20 Budget Speech, the Government reiterated its commitment to infrastructure and announced to spend an estimated HK\$6 billion on public infrastructure enhancement. It is expected construction projects is about to remain at a stable level in the next few years. However, challenges like delaying in budget approval due to filibustering and shortage of manpower will continue to strike the civil engineering industry.

As to the Group, we are confident with the prospects of the Group for the next few years as we have recently secured few projects which estimated to be completed in end-2019 and 2020. These projects could ensure sustainability of the Group and increase employees' loyalty towards 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. Besides, in order to increase shareholders' return, the Group will put efforts to evaluate the feasibility of obtaining necessary licenses to carry out civil engineering works and related operations in other countries, such as Japan and Thailand.

SIGNIFICANT INVESTMENT

As at 30 September 2019, the Group's investment in listed equity securities comprised 6 listed equity securities in Hong Kong. None of the listed equity securities was more than 5% of the total assets of the Group as at 30 September 2019.

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

FINANCIAL REVIEW

Revenue

All of the Group's revenue was generated from the provision of civil engineering works. The total revenue of the Group decreased by approximately HK\$63,364,000 from approximately HK\$248,573,000 for the six months ended 30 September 2018 to approximately HK\$185,209,000 for the six months ended 30 September 2019. Such decrease was mainly due to the negative effect arose from social demonstration which affect the progress of several on-going construction projects and the overall economic depression in Hong Kong and the global.

Gross Profit and Gross Profit Margin

The Group's gross profit turnaround from approximately HK\$5,233,000 for the six months ended 30 September 2018 to loss of approximately HK\$5,004,000 for the six months ended 30 September 2019 due to few large construction projects reaching completion stage.

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 2019 annual report dated 21 June 2019.

Other Gain/(Loss)

Other gain/(loss) of the Group turnaround from gain of approximately HK\$13,616,000 for the six months ended 30 September 2018 to loss of approximately HK\$11,600,000 for the six months ended 30 September 2019. The change was mainly due to the unrealised and realised loss on investments in listed securities for the six months ended 30 September 2019 turnaround from the realised and unrealised gain of investments in listed securities for the six months ended 30 September 2018.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK\$8,833,000 from approximately HK\$5,408,000 for the six months ended 30 September 2018 to approximately HK\$14,241,000 for the six months ended 30 September 2019. Administrative expenses consist mainly of staff costs, professional fees and other administrative expenses. Such increase was primarily attributable to the recognition of share-based payment of approximately HK\$6,806,000 arising from the share options issued during the period.

Finance Costs

Finance costs for the Group increased by approximately HK\$17,000 from approximately HK\$1,000 for the six months ended 30 September 2018 to approximately HK\$18,000 for the six months ended 30 September 2019.

Income Tax Expense

Income tax expense for the Group had decreased by approximately HK\$1,294,000 from approximately HK\$2,255,000 for the six months ended 30 September 2018 to approximately HK\$961,000 for the six months ended 30 September 2019. Such decrease was mainly due to the decrease in results before income tax of certain subsidiary as discussed above.

(Loss)/Profit for the Period

Result for the period turnaround from profit of approximately HK\$11,185,000 for the six months ended 30 September 2018 to loss of approximately HK\$31,824,000 for the six months ended 30 September 2019. Such turnaround was primarily attributable to the net effect of the decrease in revenue and gross profit, and increase in administrative expenses for the six months ended 30 September 2019 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 2019 and was approximately 1.1 times as compared to that of approximately 1.3 times as at 31 March 2019.

The total interest bearing debts of the Group, including bank overdraft and finance lease liabilities, increased from approximately HK\$891,000 as at 31 March 2019 to approximately HK\$9,308,000 as at 30 September 2019. All borrowings are denominated in Hong Kong dollar and are repayable within 5 years. The Group did not carry out any hedging for its floating borrowings.

As at 30 September 2019, the Group had no general banking facilities. As at 30 September 2019, the finance lease liabilities amounted to approximately HK\$775,000 (31 March 2019: approximately HK\$891,000).

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 16.2% as at 30 September 2019 (31 March 2019: approximately 1.1%). With available bank balances and cash, the Group has sufficient liquidity to satisfy its funding requirements.

CAPITAL STRUCTURE

As at 30 September 2019, 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\$44,961,000 respectively.

COMMITMENTS

As at 30 September 2019, there was no capital commitment for the Group (31 March 2019: 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 2019, the Group did not have any material contingent liabilities (31 March 2019: HK\$Nil).

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Save as disclosed in the section headed "SIGNIFICANT INVESTMENT" 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 2019.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's business operations were conducted in Hong Kong and the transactions, monetary assets and liabilities of the Group were denominated in Hong Kong dollars and United States dollars. Since United States dollars is linked to Hong Kong dollars at the rate of United States dollars 1 to Hong Kong dollars 7.80, the directors therefore consider the impact of foreign exchange exposure to the Group is minimal. The Group current does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities.

CHARGE OVER GROUP'S ASSETS

The total interest bearing debts of the Group, including finance lease liabilities amounted to approximately HK\$9,308,000 (31 March 2019: HK\$891,000) as at 30 September 2019.

As at 31 March 2019, the Group had no general banking facilities. As at 31 March 2019, the finance lease liabilities amounted to approximately HK\$891,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group had approximately 180 employees (31 March 2019: 192 employees). The total staff costs incurred, including Directors' emoluments, of the Group were approximately HK\$40,874,000 for the six months ended 30 September 2019 (six months ended 30 September 2018: approximately HK\$41,202,000). 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 2019 and 2018.

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 2019 was approximately 89.3% (six months ended 30 September 2018: 94.5%) of its total revenue, while the largest customer accounted for approximately 30.5% during the six months ended 30 September 2019 (six months ended 30 September 2018: 49.3%). 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. Failure 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 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and 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, are as follows:

Long position in the shares and underlying shares of the Company

Name of Director	Number of issued ordinary shares/ underlying shares of the Company Personal interests	Total	Percentage of the issued shares capital of the Company
So Kwok Hung			
– Unlisted share options	12,480,000	12,480,000	1.00%
Yu Xiao			
– Unlisted share options	12,480,000	12,480,000	1.00%

Save as disclosed above, 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 2019, 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 Investments Limited ("Blooming Union")	Beneficial owner	327,030,000	26.20%
Wong Che Kwo	Interest in a controlled corporation (<i>Note 1</i>)	327,030,000	26.20%
Law Oi Ling	Interest of spouse (<i>Note 2</i>)	327,030,000	26.20%
Wong Wing Wah	Interest in a controlled corporation (<i>Note 1</i>)	327,030,000	26.20%
Lai Siu Kuen	Interest of spouse (<i>Note 3</i>)	327,030,000	26.20%

Note:

1. Blooming Union is owned as to 50% and 50% by each of Mr. Wong Che Kwo and Mr. Wong Wing Wah respectively. Mr. Wong Che Kwo and Mr. Wong Wing Wah is deemed to be interested in the Shares held by Blooming Union pursuant to the SFO.
2. Ms. Law Oi Ling, the spouse of Mr. Wong Che Kwo, is deemed, or taken to be, interested in all Shares in which Mr. Wong Che Kwo is interested for the purpose of the SFO.
3. Ms. Lai Siu Kuen, the spouse of Mr. Wong Wing Wah, is deemed, or taken to be, interested in all Shares in which Mr. Wong Wing Wah is interested for the purpose of the SFO.

Save as disclosed above, as at 30 September 2019 and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

COMPETING INTERESTS

The Directors confirm that none of the then Controlling Shareholders or the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the six months ended 30 September 2019 and up to the date of this report.

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 2019.

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 2019 and up to the date of this report, the Company has complied with all the applicable code provisions set out in the Code except for the following deviations:

Code provision A.6.7 of the Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other business engagement, the independent non-executive Director, Mr. Tai Hin Henry was unable to attend the annual general meeting of the Company held on 6 September 2019.

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 2019 and up to the date of this report.

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

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

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") has been adopted by way of shareholder's written resolution passed on 24 March 2016. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

Details of the options outstanding for the six months ended 30 September 2019 are as follows:

Grantees	Date of grant	No. of shares comprised in options				As at 30 September 2019	Exercise price per share
		As at 1 April 2019	Granted during the period	Exercised during the period	Lapsed during the period		
Executive director							
So Kwok Hung	11 July 2019	-	12,480,000	-	-	12,480,000	HK\$0.101
Yu Xiao	11 July 2019	-	12,480,000	-	-	12,480,000	HK\$0.101
Other employees	11 July 2019	-	62,400,000	-	-	62,400,000	HK\$0.101
Consultants	11 July 2019	-	37,440,000	-	-	37,440,000	HK\$0.101
	Total	-	124,800,000	-	-	124,800,000	

AUDIT COMMITTEE

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

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

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 September 2019 and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 14 November 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 September 2019

	Note	Three months ended 30 September		Six months ended 30 September	
		2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Revenue	3	63,567	127,673	185,209	248,573
Cost of sales		(78,433)	(126,611)	(190,213)	(243,340)
Gross (loss)/profit		(14,866)	1,062	(5,004)	5,233
Other gain/(loss)	5	(6,040)	(9,720)	(11,600)	13,616
Administrative and other operating expenses		(10,856)	(3,065)	(14,241)	(5,408)
(Loss)/profit from operations		(31,762)	(11,723)	(30,845)	13,441
Finance costs	6	(9)	–	(18)	(1)
(Loss)/profit before income tax	7	(31,771)	(11,723)	(30,863)	13,440
Income tax expense	8	(396)	1,632	(961)	(2,255)
(Loss)/profit for the period		(32,167)	(10,091)	(31,824)	11,185
Total comprehensive (loss)/income for the period attributable to equity holders of the Company		(32,167)	(10,091)	(31,824)	11,185
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share attributable to equity holders of the Company					
Basic and diluted	11	(2.58)	(0.80)	(2.55)	0.90

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2019

	Note	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	30,581	33,760
Other financial assets	13	3,201	3,201
		33,782	36,961
Current assets			
Contract assets	14	51,202	54,073
Trade and other receivables	15	146,406	127,248
Financial assets at fair value through profit or loss		13,730	23,391
Tax recoverable		23	30
Cash and bank balances		7,997	21,278
		219,358	226,020
Current liabilities			
Bank overdraft		8,533	–
Trade and other payables	16	48,559	42,760
Contract liabilities	14	71	71
Amount due to a shareholder		132,888	132,888
Obligations under finance leases		235	235
Tax payable		961	–
		191,247	175,954
Net current assets		28,111	50,066
Total assets less current liabilities		61,893	87,027

	Note	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Non-current liabilities			
Obligations under finance leases		540	656
Deferred tax liabilities		3,912	3,912
		<u>4,452</u>	<u>4,568</u>
Net assets		<u>57,441</u>	<u>82,459</u>
CAPITAL AND RESERVES			
Share capital	17	12,480	12,480
Reserves		44,961	69,979
		<u>57,441</u>	<u>82,459</u>
Total equity attributable to equity holders of the Company		<u>57,441</u>	<u>82,459</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2019

	Total equity attributable to equity holders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Share options reserve HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	
Balance as at 1 April 2018 (audited)	12,480	36,672	(426)	-	10,400	3,820	40,532	103,478
Profit and total comprehensive income for the period	-	-	-	-	-	-	11,185	11,185
Balance as at 30 September 2018 (unaudited)	12,480	36,672	(426)	-	10,400	3,820	51,717	114,663
Balance as at 1 April 2019 (audited)	12,480	36,672	-	-	10,400	3,820	19,087	82,459
Share options issued during the period	-	-	-	6,806	-	-	-	6,806
Loss and total comprehensive loss for the period	-	-	-	-	-	-	(31,824)	(31,824)
Balance as at 30 September 2019 (unaudited)	12,480	36,672	-	6,806	10,400	3,820	(12,737)	57,441

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Net cash used in operating activities	(19,415)	(64,177)
Net cash used in investing activities	(2,265)	(6,423)
Net cash generated from/(used in) financing activities	8,399	(138)
Net decrease in cash and cash equivalents	(13,281)	(70,738)
Cash and cash equivalents at the beginning of the period	21,278	99,196
Cash and cash equivalent at the end of the period	7,997	28,458

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 October 2015. The address of the Company's registered office and principal place of business are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit 703A, 7/F, Gee Tuck Building, 16-20 Bonham Strand, Sheung Wan, Hong Kong respectively.

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

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

2. BASIS OF PREPARATION

The unaudited interim financial report of the Group for the six months ended 30 September 2019 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 2019. 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 2019.

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 2019, 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 investments in debt and equity securities are stated at their 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	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Customer 1	24,060	67,194	56,479	122,583
Customer 2	18,564	42,434	38,478	92,769

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

5. OTHER GAIN/(LOSS)

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Dividend income	25	34	25	34
Realised and unrealised gain/(loss) on fair value change on financial assets at fair value through profit or loss	(6,315)	(9,991)	(12,044)	12,143
Gain on disposal of property, plant and equipment	–	–	20	13
Sundry income	250	237	399	1,426
	(6,040)	(9,720)	(11,600)	13,616

6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Finance charges on obligations under finance leases	9	–	18	1
	9	–	18	1

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Auditor's remuneration	–	–	–	–
Depreciation:				
– own assets	1,541	1,458	3,081	2,906
– leased assets	49	53	99	105
Gain on disposal of property, plant and equipment, net	–	–	(20)	(13)
Site equipment rental costs (included in cost of sales)	7,591	12,640	16,022	21,759
Operating lease charges in respect of premises and office equipment	178	168	357	360

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 8.25% and 16.5% on the estimated assessable profit for the periods ended 30 September 2019 and 2018 respectively.

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current tax				
– Hong Kong profits tax	396	17	961	252
– Deferred tax	–	(1,649)	–	2,003
Income tax expense	396	(1,632)	961	2,255

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Salaries, wages and other benefits	27,990	19,831	39,553	39,727
Contributions to defined contribution retirement plan	891	757	1,321	1,475
	28,881	20,588	40,874	41,202

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 and 2018.

11. (LOSS)/EARNINGS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
(Loss)/earnings				
(Loss)/profit for the period attributable to equity holders of the Company	(32,167)	(10,091)	(31,824)	11,185
Number of shares				
Weighted average number of ordinary shares (in thousands)	1,248,000	1,248,000	1,248,000	1,248,000

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 September 2019 and 2018 represents 1,248,000,000 shares in issue throughout the period.

There were no dilutive potential ordinary shares during the periods ended 30 September 2019 and 2018 and therefore, diluted earnings per share equals to the basic earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group did not acquire any property, plant and equipment (six months ended 30 September 2018: HK\$981,000). Property, plant and equipment with net book value of approximately HK\$99,000 (six months ended 30 September 2018: HK\$179,000) were disposed of during the six months ended 30 September 2019, resulting in a net gain on disposal of approximately HK\$20,000 (six months ended 30 September 2018: net loss on disposal of approximately HK\$13,000).

13. OTHER FINANCIAL ASSETS

The Group entered into a life insurance policy with an insurance company to insure Mr. Wong Wing Wah (the "Insured"), a director of a wholly-owned subsidiary of the Company. The total sum insured is US\$968,000 (equivalent to approximately HK\$7,522,000). The Group is the policy holder and the beneficiary of the policy. The Group has paid an one-off premium of US\$468,000 (equivalent to approximately HK\$3,636,000). The Group can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of termination. The cash value is determined by the premium payment plus accumulated interest earned minus the accumulated insurance policy charges and any full or partial surrender charge ("Cash Value").

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

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

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

14. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	Notes	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Contract assets			
Arising from performance under construction contracts	(i), (ii), (iii)	51,202	54,073
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables"		44,938	33,180

Notes:

- (i) Upon the adoption of HKFRS 9, opening adjustments were made as at 1 April 2018 to recognise additional expected credit losses (ECLs) on contract assets. This has resulted in a decrease in this balance as at that date.
- (ii) Upon the adoption of HKFRS 15, some of the receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones or satisfactory completion of the retention period, were reclassified from "Retention monies receivables" under "Trade and other receivables" to contract assets.
- (iii) Upon the adoption of HKFRS 15, amounts previously included as "Amount due from customers for contract work" were reclassified to contract assets.

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group also typically agrees to a twelve months retention period for 5% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

The amount of contract assets that is expected to be recovered after more than one year is HK\$49,159,000 (31 March 2019: HK\$50,784,000), all of which relates to retentions.

14. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(b) Contract liabilities

	Note	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Contract liabilities			
Construction contracts			
– Billings in advance of performance	(i)	71	71

Note:

- (i) Upon the adoption of HKFRS 15, amounts previously included as “Amount due to customers for contract work” were reclassified to contract liabilities.

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.

As at 30 September 2019, no billings in advance of performance and forward sales deposits and instalments received are expected to be recognised as income after more than one year (31 March 2019: Nil).

15. TRADE AND OTHER RECEIVABLES

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Trade receivables	44,938	33,180
Receivables from a securities broker	11,588	13,971
Other receivables, deposits and prepayments	89,880	80,097
	146,406	127,248

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

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
0 – 30 days	20,185	20,028
31 – 60 days	12,460	10,779
61 – 90 days	3,860	899
Over 90 days	8,433	1,474
	44,938	33,180

15. TRADE AND OTHER RECEIVABLES (Continued)

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

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

16. TRADE AND OTHER PAYABLES

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Trade payables	26,609	17,103
Retention monies payables	3,029	11,008
Accruals and other payables	18,921	14,649
	48,559	42,760

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

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
0 – 30 days	15,855	13,627
31 – 60 days	3,156	2,147
61 – 90 days	184	195
Over 90 days	7,414	1,134
	26,609	17,103

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

17. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
As at 31 March and 30 September 2019	2,000,000,000	20,000
Issued and fully paid:		
As at 31 March and 30 September 2019	1,248,000,000	12,480