

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

2020 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.

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 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.

CONTENTS

	<i>Page</i>
Corporate Information	3
Management Discussion and Analysis	4
Condensed Consolidated Statement of Comprehensive Income (Unaudited)	15
Condensed Consolidated Statement of Financial Position (Unaudited)	16
Condensed Consolidated Statement of Changes in Equity (Unaudited)	17
Condensed Consolidated Statement of Cash Flows (Unaudited)	18
Notes to the Unaudited Interim Financial Report	19

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. So Kwok Hung (*Chairman*)

Ms. Yu Xiao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liao Honghao

Ms. Lao In lam (appointed on 18 August 2020)

Mr. Wong Chi Kan

COMPANY SECRETARY

Mr. So Pan

AUDIT COMMITTEE

Mr. Wong Chi Kan (*Chairman*)

Ms. Lao In lam (appointed on 18 August 2020)

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

Ms. Lao In lam (appointed on 18 August 2020)

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 20 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 2020 compared with the corresponding period in 2019. Such decrease was mainly due to some large constructions projects reaching completion stage and the outbreak of COVID-19 affected the progress of the projects.

In the 2020-21 Budget Speech, the Government reiterated its commitment to infrastructure and announced the annual capital works expenditure is expected to reach HK\$100 billion on average on infrastructure projects in the next few years. 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, delaying in progress due to social demonstration 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-2020. These projects could ensure sustainability of the Group and increase employees' loyalty towards the Group.

2021 is expected to be full of opportunities and challenges. The planned commitment in the Government's public expenditure on infrastructure will result in more business opportunities being presented to the market. Whilst factors including but not limited to difficult geological conditions, adverse weather conditions, variations to the construction plans instructed by customers and other unforeseen problems or circumstances that occur during project implementation continue being threats that likely affect the Group's profit as a subcontractor.

Looking forward, the Group will continue to strengthen the competitive edge of the Group over the competitors in the civil engineering industry and at the same time carefully evaluate each projects and control the Group's overall costs to a reasonable level; which in turn 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 2020, 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 2020.

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\$83,290,000 from approximately HK\$185,209,000 for the six months ended 30 September 2019 to approximately HK\$101,919,000 for the six months ended 30 September 2020. Such decrease was mainly due to some large constructions projects reaching completion stage and the outbreak of COVID-19 affected the progress of the projects.

Gross Profit and Gross Profit Margin

The Group's gross loss decreased from approximately HK\$5,004,000 for the six months ended 30 September 2019 to approximately HK\$826,000 for the six months ended 30 September 2020 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 2020 annual report dated 26 June 2020.

Other Gain/(Loss)

Other gain/(loss) of the Group turnaround from loss of approximately HK\$11,600,000 for the six months ended 30 September 2019 to gain of approximately HK\$4,876,000 for the six months ended 30 September 2020. The turnaround was mainly due to the unrealised loss on investments in listed securities for the six months ended 30 September 2019 turnaround to the unrealised gain of investments in listed securities for the six months ended 30 September 2020 and the subsidies received from Employment Support Scheme launched by HKSAR Government.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK\$3,614,000 from approximately HK\$14,241,000 for the six months ended 30 September 2019 to approximately HK\$17,855,000 for the six months ended 30 September 2020. Administrative expenses consist mainly of staff costs, professional fees and other administrative expenses. Such increase was the net effect of the decrease in share-based payment of approximately HK\$1,603,000 recognised during the period (2019: HK\$6,806,000) and the increase in expected credit loss of approximately HK\$7,758,000 recognised (2019: Nil).

Finance Costs

Finance costs for the Group decreased by approximately HK\$5,000 from approximately HK\$18,000 for the six months ended 30 September 2019 to approximately HK\$13,000 for the six months ended 30 September 2020.

Income Tax Expense

Income tax expense for the Group had decreased by approximately HK\$961,000 from approximately HK\$961,000 for the six months ended 30 September 2019 to approximately HK\$Nil for the six months ended 30 September 2020. Such decrease was mainly due to the decrease in results before income tax of certain subsidiary as discussed above.

Loss for the Period

Result for the period improved from loss of approximately HK\$31,824,000 for the six months ended 30 September 2019 to loss of approximately HK\$13,818,000 for the six months ended 30 September 2020. Such improvement was primarily attributable to the net effect of the decrease in revenue and gross loss, and increase in administrative expenses for the six months ended 30 September 2020 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 2020 and was approximately 1.03 times as compared to that of approximately 1.06 times as at 31 March 2020.

The total interest bearing debts of the Group, including bank overdraft and finance lease liabilities, decreased from approximately HK\$698,000 as at 31 March 2020 to approximately HK\$577,000 as at 30 September 2020. 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 2020, the Group had no general banking facilities. As at 30 September 2020, the finance lease liabilities amounted to approximately HK\$577,000 (31 March 2020: approximately HK\$698,000).

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 2.4% as at 30 September 2020 (31 March 2020: approximately 2.2%). With available bank balances and cash, the Group has sufficient liquidity to satisfy its funding requirements.

CAPITAL STRUCTURE

As at 30 September 2020, the Company's issued and fully paid capital and total equity attributable to equity holders of the Company amounted to approximately HK\$14,976,000 and HK\$9,201,000 respectively.

On 7 September 2020, 62,400,000 placing shares of the Company have been successfully placed by the placing agent. For details, please refer to the Company's announcement dated 7 September 2020.

COMMITMENTS

As at 30 September 2020, there was no capital commitment for the Group (31 March 2020: 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 2020, the Group did not have any material contingent liabilities (31 March 2020: 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 2020.

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\$577,000 (31 March 2020: HK\$698,000) as at 30 September 2020.

As at 31 March 2020, the Group had no general banking facilities. As at 31 March 2020, the finance lease liabilities amounted to approximately HK\$698,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group had approximately 115 employees (31 March 2020: 110 employees). The total staff costs incurred, including Directors' emoluments, of the Group were approximately HK\$22,826,000 for the six months ended 30 September 2020 (six months ended 30 September 2019: approximately HK\$40,874,000). 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 2020 and 2019.

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 2020 was approximately 100.0% (six months ended 30 September 2019: 89.3%) of its total revenue, while the largest customer accounted for approximately 60.7% during the six months ended 30 September 2020 (six months ended 30 September 2019: 30.5%). There is no assurance that the Group will be able to retain its customers upon expiry of the contract period and to obtain suitable projects of a comparable size and quantity as replacement, failing to do so will have an material impact on the Group's financial conditions and operating results;
- (ii) If the Group cannot factor accounts receivables to obtain funds or if the Group is unable to generate sufficient cash flow for its operations or otherwise unable to obtain sufficient funds to finance its business in the future, the liquidity and financial condition may be materially and adversely affected;
- (iii) Error or inaccurate estimation of project duration and costs when determining the tender price or increase in construction costs may adversely affect the Group's profitability or result in substantial loss;
- (iv) If net cash outflows to pay certain operating expenditures do not align with progress payments to be received at any particular period of time, the Group's cash flow position may be adversely affected;
- (v) The Group's success is attributable to the contribution of, among others, its senior management personnel and in-house professional. The Group relies on the professional knowledge, experience and expertise of its senior management and in-house professional to facilitate the formulation of competitive tenders and in deciding the best suitable construction methodology in order to carry out our project works in an efficient manner while being able to meet customers' demand. Fail to hire in a timely manner and to retain suitable, skilled and qualified senior management personnel and in-house professional to meet construction needs could adversely impact our business, results of operation and profitability of the Group; and
- (vi) The Group's operations are conducted outdoors and are affected by weather conditions. If the Group has to halt operations during inclement weather conditions or a natural disaster, it may continue to incur operating expenses while experience reduced revenues and profitability, financial conditions and growth potentials of the Group will be adversely affected.

DISCLOSURE OF INTERESTS

A. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2020, 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	Total	Percentage of the issued shares capital of the Company
	Personal interests		
So Kwok Hung			
– Unlisted share options	6,240,000	6,240,000	1.67%
Yu Xiao			
– Unlisted share options	6,240,000	6,240,000	1.67%
Wong Chi Kan			
– Unlisted share options	3,120,000	3,120,000	0.83%
Liao Honghao			
– Unlisted share options	3,120,000	3,120,000	0.83%
Lao In lam			
– Unlisted share options	3,120,000	3,120,000	0.83%

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 2020, 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	81,757,500	21.84%
Wong Che Kwo	Interest in a controlled corporation (<i>Note 1</i>)	81,757,500	21.84%
Law Oi Ling	Interest of spouse (<i>Note 2</i>)	81,757,500	21.84%
Wong Wing Wah	Interest in a controlled corporation (<i>Note 1</i>)	81,757,500	21.84%
Lai Siu Kuen	Interest of spouse (<i>Note 3</i>)	81,757,500	21.84%

Note:

- 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.
- 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.
- 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 2020 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 2020 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 2020.

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 2020 and up to the date of this report, the Company has complied with all the applicable code provisions set out in the Code.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the shares of the Company (the "Code of Conduct"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the six months ended 30 September 2020 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 2020 are as follows:

Grantees	Date of grant	Vesting Period	No. of shares comprised in options				As at 30 September 2020	Exercise price per share
			As at 1 April 2020	Granted during the period	Exercised during the period	Lapsed during the period		
Executive director								
So Kwok Hung	11 July 2019	No	3,120,000	-	-	-	31,200,000	HK\$0.404
	18 August 2020	No	-	3,120,000	-	-	31,200,000	HK\$0.090
Yu Xiao	11 July 2019	No	3,120,000	-	-	-	31,200,000	HK\$0.404
Wong Chi Kan	18 August 2020	No	-	3,120,000	-	-	31,200,000	HK\$0.090
Liao Honghao	18 August 2020	No	-	3,120,000	-	-	31,200,000	HK\$0.090
Lao In lam	18 August 2020	No	-	3,120,000	-	-	31,200,000	HK\$0.090
Other employees								
	11 July 2019	No	15,600,000	-	-	-	15,600,000	HK\$0.404
	18 August 2020	No	-	15,600,000	-	-	15,600,000	HK\$0.090
							<i>(note (i))</i>	
							<i>(note (ii))</i>	
Consultants								
	11 July 2019	No	9,360,000	-	-	-	9,360,000	HK\$0.404
							<i>(note (ii))</i>	
Total			31,200,000	31,200,000	-	-	62,400,000	

Note:

- (i) The share options have been granted to 5 employees and each of them hold 3,120,000 share options.
- (ii) The share options have been granted to 3 consultants and each of them hold 3,120,000 share options.

The closing price of the Company's shares immediately before the date of grant of share options on 18 August 2020 was HK\$0.090.

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 Ms. Lao In lam, 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 2020 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, 13 November 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 September 2020

	Note	Three months ended 30 September		Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3	49,692	63,567	101,919	185,209
Cost of sales		(48,262)	(78,433)	(102,745)	(190,213)
Gross profit/(loss)		1,430	(14,866)	(826)	(5,004)
Other gain/(loss)	5	2,135	(6,040)	4,876	(11,600)
Administrative and other operating expenses		(15,399)	(10,856)	(17,855)	(14,241)
Loss from operations		(11,834)	(31,762)	(13,805)	(30,845)
Finance costs	6	(5)	(9)	(13)	(18)
Loss before income tax	7	(11,839)	(31,771)	(13,818)	(30,863)
Income tax expense	8	–	(396)	–	(961)
Loss for the period		(11,839)	(32,167)	(13,818)	(31,824)
Total comprehensive loss for the period attributable to equity holders of the Company		(11,839)	(32,167)	(13,818)	(31,824)
		HK cents	HK cents	HK cents	HK cents
Loss per share attributable to equity holders of the Company					
Basic and diluted	11	(3.70)	(10.32) (restated)	(4.22)	(10.20) (restated)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2020

	Note	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	21,337	22,071
Right-of-use		674	728
		22,011	22,799
Current assets			
Contract assets	13	45,332	45,371
Trade and other receivables	14	121,895	126,062
Financial assets at fair value through profit or loss		17,602	17,096
Cash and cash equivalents		4,014	3,819
		188,843	192,348
Current liabilities			
Trade and other payables	15	50,167	47,272
Contract liabilities	13	–	–
Amount due to a shareholder		132,865	132,888
Lease liabilities		287	287
Tax payable		627	627
		183,946	181,074
Net current assets		4,897	11,274
Total assets less current liabilities		26,908	34,073
Non-current liabilities			
Lease liabilities		290	411
Deferred tax liabilities		2,441	2,441
		2,731	2,852
Net assets		24,177	31,221
CAPITAL AND RESERVES			
Share capital	17	14,976	12,480
Reserves		9,201	18,741
Total equity attributable to equity holders of the Company		24,177	31,221

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2020

	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 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
Balance as at 1 April 2020 (audited)	12,480	36,672	-	4,329	10,400	3,820	(36,480)	31,221
Placing of shares during the period	2,496	2,675	-	-	-	-	-	5,171
Share options issued during the period	-	-	-	1,603	-	-	-	1,603
Loss and total comprehensive loss for the period	-	-	-	-	-	-	(13,818)	(13,818)
Balance as at 30 September 2020 (unaudited)	14,976	39,347	-	5,932	10,400	3,820	(50,298)	24,177

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Net cash used in operating activities	(4,849)	(19,415)
Net cash generated from/(used in) investing activities	17	(2,265)
Net cash generated from/(used in) financing activities	5,027	8,399
Net increase/(decrease) in cash and cash equivalents	195	(13,281)
Cash and cash equivalents at the beginning of the period	3,819	21,278
Cash and cash equivalent at the end of the period	4,014	7,997

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 2020 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 2020. 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 2020.

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 2020, 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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Customer 1	32,220	24,060	61,910	56,479
Customer 2	7,881	18,564	14,405	38,478
Customer 3	5,254	*N/A	14,499	*N/A

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

There is no other single customer contributing over 10% of total revenue of the Group for the three and six months ended 30 September 2020 and 2019.

5. OTHER GAIN/(LOSS)

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Dividend income	–	25	17	25
Over-provision of severance payment	–	–	1,403	–
Realised and unrealised gain/(loss) on fair value change on financial assets at fair value through profit or loss	(514)	(6,315)	506	(12,044)
Gain on disposal of property, plant and equipment	–	–	–	20
Subsidies granted by HKSAR government	2,377	–	2,587	–
Sundry income	272	250	363	399
	2,135	(6,040)	4,876	(11,600)

6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Finance charges on obligations under finance leases	5	9	13	18
	5	9	13	18

7. LOSS BEFORE INCOME TAX

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

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Auditor's remuneration	–	–	–	–
Depreciation	1,541	1,590	3,083	3,180
Gain on disposal of property, plant and equipment, net	–	–	–	(20)
Impairment loss recognised under expected credit loss model, net of reversal	7,758	–	7,758	–
Site equipment rental costs (included in cost of sales)	3,714	7,591	8,171	16,022
Share-based payment expense	1,603	6,806	1,603	6,806
Operating lease charges in respect of premises and office equipment	173	178	346	357

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 2020 and 2019 respectively.

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current tax				
– Hong Kong profits tax	–	396	–	961
– Deferred tax	–	–	–	–
Income tax expense	–	396	–	961

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Salaries, wages and other benefits	12,098	27,990	22,044	39,553
Contributions to defined contribution retirement plan	438	891	782	1,321
	12,536	28,881	22,826	40,874

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 and 2019.

11. LOSS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Loss				
Loss for the period attributable to equity holders of the Company	(11,839)	(32,167)	(13,818)	(31,824)
Number of shares				
Weighted average number of ordinary shares (in thousands)	319,886	312,000 (restated)	327,771	312,000 (restated)

On 7 September 2020, 62,400,000 placing shares of the Company have been successfully placed by the placing agent. For details, please refer to the Company's announcement dated 7 September 2020.

There were no dilutive potential ordinary shares during the periods ended 30 September 2020 and 2019 and therefore, diluted loss per share equals to the basic loss per share.

During the year ended 31 March 2020, the Company implemented the share consolidation of every four shares into one consolidated share (the "Share Consolidation"). The Share Consolidation were completed on 18 March 2020. Accordingly, the weighted average number of shares for the purposes of basic and diluted loss/earnings per share has been adjusted for three months and six months ended 30 September 2019.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group did not acquire any property, plant and equipment (six months ended 30 September 2019: HK\$Nil). Property, plant and equipment with net book value of approximately HK\$Nil (six months ended 30 September 2019: HK\$99,000) were disposed of during the six months ended 30 September 2020, resulting in a net gain on disposal of approximately HK\$Nil (six months ended 30 September 2019: net gain on disposal of approximately HK\$20,000).

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Contract assets		
Retention receivables of construction contracts	45,411	45,439
Less: allowances on credit loss	(79)	(68)
	<u>45,332</u>	<u>45,371</u>
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables"	<u>115,429</u>	<u>115,328</u>

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.

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\$43,356,000 (31 March 2020: HK\$43,356,000), all of which relates to retentions.

13. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(b) Contract liabilities

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Contract liabilities		
Construction contracts		
– Billings in advance of performance	–	–

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 2020, 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 2020: Nil).

14. TRADE AND OTHER RECEIVABLES

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Trade receivables	115,590	115,500
Less: allowances on credit loss	(7,919)	(172)
	107,671	115,328
Receivables from a securities broker	5,063	5,045
Other receivables, deposits and prepayments	9,161	5,689
	121,895	126,062

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

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
0 – 30 days	26,540	77,510
31 – 60 days	–	245
61 – 90 days	4,218	8,714
Over 90 days	76,913	28,859
	107,671	115,328

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

15. TRADE AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
Trade payables	19,910	12,234
Retention monies payables	3,661	11,007
Accruals and other payables	26,596	24,031
	50,167	47,272

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

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
0 – 30 days	12,138	8,553
31 – 60 days	–	3,481
61 – 90 days	258	–
Over 90 days	7,514	200
	19,910	12,234

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

16. SHARE CAPITAL

	Notes	Number of shares <i>'000</i>	Nominal value of shares <i>HK\$'000</i>
Authorised:			
Share capital of HK\$0.04 each			
As at 1 April 2020 and 30 September 2020		<u>2,000,000</u>	<u>80,000</u>
Issued and fully paid:			
Share capital of HK\$0.04 each:			
As at 1 April 2020		312,000	12,480
Placing of shares	(a)	<u>62,400</u>	<u>2,496</u>
Share capital of HK\$0.04 each			
As at 30 September 2020		<u>374,400</u>	<u>14,976</u>

Note:

- (a) On 7 September 2020, 62,400,000 placing shares of the Company have been successfully placed by the placing agent. For details, please refer to the Company's announcement dated 7 September 2020.