

# SAM WOO CONSTRUCTION GROUP LIMITED

三和建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code : 3822)

2015/16  
INTERIM  
REPORT





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## SAM WOO CONSTRUCTION GROUP LIMITED

Interim Report 2015/16

The board of directors (the “Board”) of Sam Woo Construction Group Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2015 (the “Period”), together with the comparative figures for the corresponding period in 2014 (the “Previous Period”). These information should be read in conjunction with the annual financial statements for the year ended 31 March 2015.

## HIGHLIGHTS

	1H 2015/16	1H 2014/15
Revenue	HK\$540 million	HK\$518 million
Profit for the period	HK\$104 million	HK\$116 million
Earnings per share ( <i>note</i> )	25 HK cents	39 HK cents
Interim dividend	5 HK cents	N/A
	30 September 2015	31 March 2015
Net gearing	8%	23%
Current ratio	1.6x	1.7x
Total equity	HK\$627 million	HK\$528 million
Aggregate value of major contracts on hand	over HK\$2,000 million yet to complete	

### Note:

The weighted average number of shares used for the calculation of the earnings per share for the Period has taken into account the issuance of shares by the Company under the placing in July 2015, while that of the Previous Period was based on the retrospectively adjusted number of shares for the effects of the reorganisation of the Group taken place in September 2014 before the IPO.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND OUTLOOK**

#### **Group Revenue**

The Group's annual revenue attributable to projects in Hong Kong and Macau, increased to more than HK\$850 million in the financial year 2014/15. The Group continued its successful record for the first six months of this financial year recording a revenue growth of approximately 4% compared with the same period last year, and a total revenue of approximately HK\$540 million.

The estimated aggregate value of contracts on hand of the Group which is not yet completed exceeds HK\$2,000 million.

#### **Major Projects during the Period**

##### *Composite Development Project, Macau*

Approximately 93% of the Group's revenue was derived from the Composite Development Project, Macau. This private residential development project has an enormous scale. The original contract amount of this project was approximately HK\$460 million. Additional works comprising half of the original contract amount were added during the original contract period. The Group's total revenue from the Composite Development Project is expected to exceed HK\$700 million upon completed. On this basis this project will be the biggest in terms of contract value of the Group's history.

The Group was awarded this project in early 2014, and commenced the foundation piling works at the end of 2014 after the client finished the preparation of the government permits and finalised the design plans. This project reached its peak period of activity in mid- 2015. Up to the end of the Period, the Group had completed approximately 80% of the works (including the additional works). This project has since been substantially completed.

<b>Major projects during the Period</b>	<b>As at 30 September 2015 Completion status</b>	<b>Expected completion date</b>	<b>Estimated remaining contract value (HK\$)</b> (note)
Hong Kong Boundary Crossing Facilities	Completed	–	–
Composite Development Project, Macau	Approximately 80%	2015/16	150 million
Proposed Commercial/Residential Development in Wong Tai Sin District	Approximately 10%	2016/17	150 million
Liantang/Heung Yuen Wai Boundary Control Point	Preliminary works	2016/17	400 million
Hospital Expansion	Preliminary works	2019	1,400 million

*Note:* The above remaining contract amount was determined by reference to internal estimates based on the currently available information, and may be subsequently revised.

### **New Projects Awarded**

Although the Legislative Council filibustering caused delay in funding approval of certain public works, resulting in the postponement of a number of public infrastructure projects in Hong Kong, the Group won three new contracts covering both the public and private sectors in the first half of the year, including the Proposed Commercial/Residential Development in Wong Tai Sin District, the Liantang/Heung Yuen Wai Boundary Control Point and the Hospital Expansion project. These projects all include a significant proportion of preliminary and ancillary works requiring longer project durations of about a year-and-a-half, a year-and-a-half and four years respectively. These new projects are all expected to enter their peak period of work activity in the financial year of 2016/17.

These major commercial and public infrastructure projects require a large fleet and broad range of machinery and equipment, as well as professional operational skills and management experience. The number of foundation specialist builders in the market of comparable scale and experience is limited, therefore as long as tenders for planned projects called as expected, the Group is confident of its prospects in bidding for new projects over the second half year of this financial year.

## Progress of New Projects

### *Proposed Commercial/Residential Development in Wong Tai Sin District*

This is the second time the Group has worked with this same private developer following the completion of a bored pile and pre-drilled socket piling works project in 2012/2013. In April, the Group was awarded a new contract for the installation of lateral support works of a Proposed Commercial/Residential Development in Wong Tai Sin. Out of a contract value of approximately HK\$320 million (including contingent payment and/or provisional sum), the first phase is estimated to be approximately HK\$150 million in value, while the remaining phases of the works have to be confirmed by the client. Approximately 10% of the project has been completed however pending the certificate of payment to be issued by the client. As such, the project had not recorded any revenue during the Period and the first phase of this project is expected to be completed in mid-2016.

### *Liantang/Heung Yuen Wai Boundary Control Point*

The Group entered into a pre-bid agreement with the main contractor at the time of the tender in 2013. The Legislative Council finally approved the project funding in June this year and the relevant contracts have subsequently been awarded. The Liantang/Heung Yuen Wai Boundary Control Point is part of the Hong Kong boundary crossing facilities managed by the Civil Engineering and Development Department. As there was a change in the project budget, pending the government's amendments and finalising the design plans, the Group's total share of the value of construction has yet to be confirmed. Based on the current preliminary design, the value of this contract has been estimated at about HK\$400 million. The project did not record any revenue during the Period and is expected to be completed by around 2016/17.

### *Hospital Expansion*

In July this year, the Group was awarded the main contract of the foundation and associated works of United Christian Hospital by the Hospital Authority. Our experience as main contractor responsible for the overall project management should boost the Group's prospects in bidding as a main contractor for other large projects in the future. This contract is valued at HK\$1,780 million, however after deducting all contingent and/or provisional sums, the actual revenue is estimated to be approximately HK\$1,400 million, a new record high for the Group. One half of the project in value requires the demolition of existing buildings, site formation and road reconstruction to prepare for the hospital expansion. The construction of foundation piles constitutes the other half of the total contract value. A part of the preparatory work of the project has commenced and the revenue and profit contribution during the Period was insignificant. The Hospital Expansion project has a project duration of around four years and is expected to be completed in 2019.

## Outlook

### *Housing and Community Facilities*

The recently awarded Hospital Expansion project has added significance for the Group. As a major social and livelihood facility, the successful approval of funding for the hospital project by the Legislative Council has sent a positive signal for the ongoing development of further public sector projects. According to the Budget for 2015/16, the government intends to launch a number of hospital projects in order to meet the long-term demand for medical services. The total construction cost for the projects launched and under planning are expected to exceed HK\$80 billion. The market is also awaiting new project tenders in the coming months as a result of the “Energizing Kowloon East” development. The Kai Tak Development Plan includes the construction of a large number of government agencies and community facilities, as well as residential and commercial buildings as part of a 570,000 square feet urban renewal of Kwun Tong and Kowloon City. The plan also involves the building of a highway connecting West Kowloon and Tseung Kwan O. This project is expected to be the largest reconstruction project ever, providing a large number of public and private residential units, all of which require heavy foundations.

The government has announced its long-term housing strategy and set a target of adding 480,000 units for the 10 years beginning from 2015/16. This is a favorable development for the Group. Based on the five-year land development plan, 150 land parcels are planned to be converted for housing development.

### *Development of Infrastructure and a New Hub*

The completion of the Tuen Mun-Chek Lap Kok Link and the Hong Kong-Zhuhai-Macau Bridge will transform Lantau Island into the Pearl River Delta’s transportation hub and create a new centre of gravity for Hong Kong’s urban economy. Macau is also planning to tap into the opportunities generated by the connection of the Pearl River Delta with the Western Corridor by the Hong Kong-Zhuhai-Macau Bridge, as it formulates a number of new reclamation projects aimed at enhancing both commercial and residential development. Other major projects include the third runway at Chek Lap Kok; a new town at Hung Shui Kiu and further reclamation works.

The plan for a new era is expected to support the ongoing demand in the construction industry over the medium term. Led by our mission to build for “Tomorrow’s Foundation”, Sam Woo Construction Group has been involved in various iconic projects, including in the marine foundation works of the north- south runway in the Chek Lap Kok airport, the Blue Bale Hai Tsing Yi Bridge, and the construction of mass transit railways (the East Rail, West Rail, Ma On Shan Rail and the High Speed Rail). We are looking forward to be a part of the new chapter in Hong Kong’s development, and to collaborating with other enterprises to build Hong Kong’s future.

### *Maintaining Profitability and a Conservative Approach*

The impact of the Legislative Council's delay in approval has impeded the quick absorption of resources released after the recent completion of large-scale infrastructure construction projects, resulting in increasingly keen competition in the recent tenders for small-and medium-sized projects. Thus, contract prices are likely to remain under pressure during the second half of this year.

We believe that the recent slight slowdown in the construction industry should only be short-term as the project pipeline outlined above opens up. We intend to continue to cautiously bid for attractive projects, maintain profitability and financial stability in order to enhance the foundation of the Group for its future development. At the same time, we remain optimistic about the medium- and long-term outlook for the construction market.

## **FINANCIAL REVIEW AND ANALYSIS**

### **Revenue**

In the first half of the year, the Group recorded a revenue of HK\$540 million, representing an approximately 4% increase compared with the Previous Period, mainly attributable to the Composite Development Project, Macau having reached its construction peak during the Period and contributed more than 90% of the Group's revenue. A small segment of the remaining works of the Hong Kong Boundary Crossing Facilities project was completed during the Period while the three new projects were in the preliminary stage, contributing only a small portion to the Group's revenue during the Period.

### **Gross Profit and Gross Profit Margin**

The gross profit was approximately HK\$126 million, representing a decrease of approximately 24% compared with the Previous Period. Gross profit margin was approximately 23%, representing a decrease of approximately 9% compared with the Previous Period (2014: 32%). The management considered that the contract price and subcontracting costs of the Composite Development Project, Macau were the key contributing factors of the above: (1) the developers' budget for such a private residential development was cautious, whereas certain parts of this project were also awarded in stages. The pricing rates were not the same as the previous commercial projects like Hotel Tower Project and Hotel Casino Project in Macau launched in a highly tighten schedule in the last two years; (2) in addition, the works orders granted subsequently included certain non-bored piles works, the profit margin of which was lower than the bored piles. In order to maintain the Group's efficiency and flexibility in the resources deployment, the non-bored piles works were often subcontracted.



The key factors affecting our gross profit margin are contract price, materials and labour costs, as well as subcontracting costs. (1) The contract price was determined by market bids as a result of the supply and demand, depending on the volume of construction works of prevailing public and private market tenders, the amount of contracts on hand of the contractors, project programme timelines and other factors. The filibusters in the Legislative Council has caused delays in funding approval of public works, resulting in a number of public infrastructure projects in Hong Kong being postponed. As there are fewer tenders on the market, the contract prices are expected to be put under pressure due to greater competition. (2) As for the material and labour costs, the management has analysed the detailed cost structure of the current projects, and considered that the costs and rates to be generally stable. This is also supported by the Group's patented techniques developed by its own research and development and the intensive use of machinery and equipment in its operations. By which, the Group is able to overcome the commonly inherited technical difficulties and reduced the loss and wastage caused by the deviation in its product qualities. All of these inputs enable it to maintain the cost-effectiveness in the construction of large-diameter bored piles. In view of the extent of resources deployed by the Group, the management expects the returns of the existing and new projects to be satisfactory. (3) In order to maintain the efficiency in the resources allocation, the Group may subcontract the non-core foundation works or the lower margin parts of a project. For example, in the Hospital Expansion project, subcontracting amounted to about half of the contract amount, so the gross profit margin for this type of foundation main contractor contracts is expected to be less than that of a pure bored piles construction contract. (4) As the Group has its own machinery, equipment and maintenance teams, the costs arising from leasing of machinery are minimal and such in turn drives the profitability of the Group to be higher.

### **Administrative Expenses**

Administrative expenses decreased 55% from HK\$33 million in the Previous Period to HK\$15 million. If excluding the impact of professional fees of about HK\$18 million in total in the Previous Period, the administrative expenses was largely the same for the Period. During the Previous Period, professional fees included the expense of HK\$11 million relating to the Company's initial public offering of shares, as well as the costs and provision of HK\$7 million concerning litigation and arbitration related to the business operations. During the Period, as one of the litigations was concluded and the litigation cost was recovered, the related provision for legal and professional fees was written back accordingly.

## Finance Cost

Finance cost for the period was approximately HK\$6 million, representing a decrease of approximately 20% compared with HK\$7 million in the Previous Period. This is mainly due to the interest saving attributable to the use of part of the proceeds of the listing and from placing shares in July this year as the Group's working capital, and thus reducing those short term bank borrowing with higher interest rates. Meanwhile, finance income increased mainly because the listing proceeds yet to be used were placed to bank deposits for interest income.

## Taxation

The effective tax rate of the income tax expense for the period is 3% (2014: 8%). The lower tax rate was mainly because most of the construction revenue was generated from the Macau project during the Period and the statutory tax rate there was lower than in Hong Kong, and the rental income between companies within the Group was regarded as offshore income and therefore was not subject to taxation in Hong Kong and Macau. The situation is similar to when the main income of the Group was derived from the Macau Hotel Tower project and the effective tax rate was 2% in 2013/14.

## Profit and Net Profit Margin

As a result, the Group's profit after tax was approximately HK\$104 million (2014: HK\$116 million), representing a year-on-year decrease of approximately 10%. Net profit margin was 19% (2014: 22%).

## Capital Expenditures and Capital Commitments

The Group generally finances its capital expenditures by internally-generated resources, long-term bank loans and finance leases. Upon our listing, the capital contribution from the Company's shareholders became an additional source of finance. During the Period, the Group invested approximately HK\$52 million in the expansion of its machinery and equipment, which was mainly funded from bank borrowings and proceeds from the listing. In May this year, in response to the expected increase in project needs, the Group placed an purchase order for machinery and equipment with an European manufacturer valued at about HK\$100 million, of which one-third was delivered during the Period. As at 30 September 2015, the Group's capital commitments relating to the purchase of machinery and equipment was HK\$76 million (31 March 2015: HK\$16 million).

During the period, save as disclosed herein, the Group did not have any material acquisitions or disposals of assets.

## Liquidity, Financial Resources and Gearing

### *Liquidity*

The Group generally meets its working capital requirements by cash flow generated from its operations and short-term borrowings. During the Period, the Group generated net cash inflow from operating activities of approximately HK\$68 million (2014: HK\$115 million), which was less than that in the Previous Period, mainly because the Group obtained the certification for two phases of a project valued at a large amount by a client just before the end of the reporting period, leading to an increase of trade receivables. Nevertheless, the financial position of the Group has not been materially affected as the aging of the majority of trade receivables was within 30 days, and has been settled to the Group after the end of the reporting period.

### *Capital Financing and the Use of Proceeds*

The net proceeds from the IPO were approximately HK\$117 million (after deducting underwriting fees, commissions and expenses), of which (i) approximately HK\$11 million was applied towards the acquisition of machinery and equipment; and (ii) HK\$12 million was applied towards working capital during the Period. The remaining unutilised net proceeds from IPO of approximately HK\$94 million as at 30 September 2015 is intended for financing the acquisition of machinery and equipment. In July this year, the Group has placed 20,000,000 new shares, raising approximately HK\$58 million for working capital purposes, and the entire amount has been used during the Period, mainly for the payments of contract costs.

### *Cash and Bank Balances*

As at 30 September 2015, the Group's total cash and bank balances were HK\$347 million (31 March 2015: HK\$240 million), mainly denominated in Hong Kong dollars and Macau patacas. The increase in cash and bank balances was mainly due to the project income during the Period, and the use of the proceeds from the said initial offer and share placing in July this year to pay for project costs and general operating expenses.

### *Borrowings*

As at September 30, 2015, the Group's total borrowings were approximately HK\$358 million (31 March 2015: HK\$326 million), denominated in Hong Kong dollars and Macau patacas. Borrowings generally include short-term and long-term bank loans and finance leases and overdrafts bearing a floating interest rate. Among total borrowings, approximately HK\$107 million (31 March 2015: HK\$111 million) were short-term bank loans, and approximately HK\$105 million (31 March 2015: HK\$75 million) were long-term bank loans and the current portion of finance lease liabilities, with their maturity dates within 12 months.

### *Gearing Ratio and Total Equity*

As at 30 September 2015, the Group's net gearing ratio (net borrowings divided by total equity) was 8% (31 March 2015: 23%). For the purpose of calculating the Group's net gearing ratio, the net borrowings refers to the total borrowings less cash and cash equivalents, short-term bank deposits and restricted bank balances secured as the security for credit facilities of the Group. As at 30 September 2015, the Group's net current assets were HK\$264 million (31 March 2015: HK\$199 million), and the current ratio (current assets divided by current liabilities) was 1.6 times (31 March 2015: 1.7 times). The improvement of the Group's financial situation was mainly due to the further enhancement of its capital base after the placing shares of the Company in July this year, as well as the profits from operations during the Period, resulting in the Group's total equity as at 30 September 2015 increasing to approximately HK\$627 million (31 March 2015: HK\$528 million).

### **Foreign Exchange Exposure**

Operations of the Group are mainly conducted in Hong Kong dollars and Macau patacas and its revenue, expenses, cash and bank balances, borrowings, other monetary assets and liabilities are principally denominated in those two currencies. Apart from the purchase orders for machinery and equipment paid in Euros and Singapore dollars, for the Period, the Group was not exposed to any significant foreign currency risk nor had employed any financial instrument for hedging.

### **Contingent Liabilities**

As at 30 September 2015, save for guarantees of performance bonds relating to two (31 March 2015: two) foundation works and ancillary services projects of the Group of approximately HK\$67 million and HK\$18 million, respectively (31 March 2015: HK\$67 million and HK\$29 million), the Group did not have any material contingent liabilities. The performance bonds are expected to be released in accordance with the terms of the respective construction contracts.

### **Pledge of Assets**

As at 30 September 2015, the net book amount of plant and equipment held under finance leases and pledged for long term bank loans amounted to approximately HK\$171 million (31 March 2015: HK\$151 million) and approximately HK\$148 million (31 March 2015: HK\$108 million), respectively. None of the banking facilities of the Group were secured by the Group's bank deposits (31 March 2015: HK\$17 million).

## **HUMAN RESOURCES**

As at 30 September 2015, the Group had approximately 182 employees. The remuneration package we offer to our employees includes salary, discretionary bonuses and allowances. In general, we determine employee salaries based on the individual's qualifications, position and performance (where applicable).

## **INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board of Directors declared an interim dividend of HK5 cents per share, amounting to approximately HK\$21 million, representing a dividend ratio of approximately 20%. These interim dividends are payable to shareholders whose names appear on the register of members of the Company as at the close of business on 11 December 2015. It is expected that interim dividend will be paid on or about 30 December 2015.

In order to establish entitlements to the interim dividend, the register of members of the Company will be closed on Friday, 11 December 2015, on which no transfer of share of the Company will be registered. All transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 10 December 2015.

## OTHER INFORMATION

### Disclosure of Interests

At 30 September 2015, the interests and short positions of directors 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 (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules, are as follows:

#### (a) Directors’ interest in the Company:

<b>Name of director</b>	<b>Number of ordinary shares of HK\$0.1 each (long position)</b>	<b>Percentage of shareholding</b>	<b>Capacity</b>
Mr. Lau Chun Ming	300,000,000	71.43%	Founder of a discretionary trust
Ms. Leung Lai So	300,000,000	71.43%	Beneficiary of a discretionary trust

#### (b) Directors’ interest in associated corporations of the Company:

<b>Name of director</b>	<b>Name of associated corporation</b>	<b>Percentage of shareholding</b>	<b>Capacity</b>
Mr. Lau Chun Ming	Actiease Assets Limited	100%	Founder of a discretionary trust
Mr. Lau Chun Ming	Silver Bright Holdings Limited	100%	Founder of a discretionary trust
Ms. Leung Lai So	Actiease Assets Limited	100%	Beneficiary of a discretionary trust
Ms. Leung Lai So	Silver Bright Holdings Limited	100%	Beneficiary of a discretionary trust

So far as the directors are aware, the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

**(c) Substantial shareholders' interests in the Company**

<b>Name of shareholder</b>	<b>Number of shares (long position)</b>	<b>Percentage of shareholding</b>	<b>Capacity</b>
Actiease Assets Limited	300,000,000	71.43%	Beneficial owner
Silver Bright Holdings Limited	300,000,000	71.43%	Interest of a controlled corporation
Managcorp Limited as trustee of a unit trust	300,000,000	71.43%	Trustee
Nautilus Trustees Asia Limited	300,000,000	71.43%	Trustee
RAYS Capital Partners Limited	36,336,000	9.08%	Investment manager
Ruan David Ching-Chi	36,336,000	9.08%	Interest of a controlled corporation
Yip Yok Tak Amy	36,336,000	9.08%	Interest of a controlled corporation
Asian Equity Special Opportunities Portfolio Master Fund Limited	29,400,000	7.00%	Beneficial owner

*Notes:*

1. 300,000,000 shares were held by Actiease Assets Limited, a company wholly owned by Silver Bright Holdings Limited which is indirectly owned by a discretionary trust of which Ms. Leung Lai So is the beneficiary.
2. Silver Bright Holdings Limited is 100% held by Managcorp Limited as trustee of a unit trust, of which issued units are 100% held by Nautilus Trustees Asia Limited as trustee of a discretionary trust set up by Mr. Lau Chun Ming.

3. Ruan David Ching-chi controlled 50% interest in RAYS Capital Partners Limited.
4. Yip Yok Tak Amy controlled 50% interest in RAYS Capital Partners Limited.
5. RAYS Capital Partners Limited controlled 100% interest in Asian Equity Special Opportunities Portfolio Master Fund Limited.

### **Purchase, Sale or Redemption of Listed Securities**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

### **Corporate Governance**

The Company had complied with of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the Period.

### **Model Code of Securities Transactions by Directors**

All directors confirmed that they complied with the required standards as set out in the Model Code throughout the Period.

### **Audit Committee**

The audit committee, comprising three independent non-executive directors, namely Professor Wong Sue Cheun, Roderick, Mr. Chu Tak Sum and Mr. Ip Tin Chee, Arnold, has reviewed the accounting principles and practice adopted by the Group, and the unaudited consolidated financial statements of the Group for the Period.

On behalf of the Board of  
**Sam Woo Construction Group Limited**  
**Lau Chun Ming**  
*Chairman*

Hong Kong, 26 November 2015

*As at the date of this report, the executive directors are Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So; and the independent non-executive directors are Professor Wong Sue Cheun, Roderick, Mr. Chu Tak Sum and Mr. Ip Tin Chee, Arnold.*



**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Note	Unaudited	
		2015	2014
		HK\$'000	HK\$'000
Revenue	5	<b>540,036</b>	517,880
Cost of sales	6	<b>(413,888)</b>	(351,242)
Gross profit		<b>126,148</b>	166,638
Other income and gain, net		<b>225</b>	229
Administrative expenses	6	<b>(15,147)</b>	(33,433)
Operating profit		<b>111,226</b>	133,434
Finance income	7	<b>1,509</b>	345
Finance costs	7	<b>(5,742)</b>	(7,194)
Finance costs, net	7	<b>(4,233)</b>	(6,849)
Profit before income tax		<b>106,993</b>	126,585
Income tax expense	8	<b>(3,305)</b>	(10,679)
Profit for the period		<b>103,688</b>	115,906
Other comprehensive income		–	–
Profit and total comprehensive income attributable to equity holders of the Company		<b>103,688</b>	115,906
Basic and diluted earnings per share (HK cents)	9	<b>25</b>	39

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 SEPTEMBER 2015

	<i>Note</i>	<b>Unaudited 30 September 2015 HK\$'000</b>	Audited 31 March 2015 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	11	<b>553,537</b>	509,245
Deferred income tax assets		<b>168</b>	233
Deposits and prepayments		<b>1,645</b>	3,911
		<b>555,350</b>	513,389
<b>Current assets</b>			
Trade and retention receivables	12	<b>312,367</b>	202,367
Deposits, prepayments and other receivables		<b>4,319</b>	3,308
Amounts due from customers for contract work	13	<b>38,964</b>	27,054
Restricted bank balances	14	<b>37,970</b>	55,041
Short term bank deposit		–	8,000
Cash and cash equivalents (excluding bank overdraft)		<b>308,897</b>	177,061
		<b>702,517</b>	472,831
<b>Total assets</b>		<b>1,257,867</b>	986,220
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	15	<b>4,200</b>	4,000
Reserves		<b>622,662</b>	523,780
<b>Total equity</b>		<b>626,862</b>	527,780
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	18	<b>130,682</b>	122,510
Deferred income tax liabilities		<b>41,648</b>	41,818
Amount due to a director		<b>20,353</b>	20,125
		<b>192,683</b>	184,453

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET  
(CONTINUED)**

AS AT 30 SEPTEMBER 2015

		<b>Unaudited</b>	Audited
		<b>30 September</b>	31 March
		<b>2015</b>	2015
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current liabilities</b>			
Trade and retention payables	16	<b>76,882</b>	36,936
Accruals and other payables	17	<b>81,215</b>	16,586
Amounts due to customers for contract work	13	<b>40,031</b>	6,834
Borrowings	18	<b>227,251</b>	203,423
Income tax payable		<b>12,943</b>	10,208
		<hr/>	<hr/>
		<b>438,322</b>	273,987
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>631,005</b>	458,440
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>1,257,867</b>	986,220
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Unaudited				Total HK\$'000
	Share capital HK\$'000 (note 15)	Share premium HK\$'000 (note 15)	Other reserves HK\$'000 (note 15)	Retained earnings HK\$'000	
At 1 April 2014	–	–	10,500	208,219	218,719
<b>Comprehensive income</b>					
Profit for the period	–	–	–	115,906	115,906
<b>Contribution by and distribution to owners</b>					
Dividends relating to the year ended 31 March 2014 (note 10)	–	–	–	(50,000)	(50,000)
At 30 September 2014	–	–	10,500	274,125	284,625
At 1 April 2015	4,000	135,893	10,500	377,387	527,780
<b>Comprehensive income</b>					
Profit for the period	–	–	–	103,688	103,688
<b>Contribution by and distribution to owners</b>					
Issuance of placement shares (note 15)	200	58,194	–	–	58,394
Dividends relating to the year ended 31 March 2015 (note 10)	–	–	–	(63,000)	(63,000)
At 30 September 2015	4,200	194,087	10,500	418,075	626,862

## **CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2015</b>	<b>2014</b>
<i>Note</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Cash flows from operating activities</b>			
	Net cash generated from operations	<b>73,324</b>	122,490
	Interest paid	<b>(3,732)</b>	(5,484)
	Interest received	<b>1,509</b>	345
	Interest element of finance lease payments	<b>(1,781)</b>	(1,710)
	Increase in restricted bank balances	<b>(389)</b>	(158)
	Hong Kong profits tax paid	<b>(676)</b>	(674)
	<b>Net cash generated from operating activities</b>	<b>68,255</b>	114,809
<b>Cash flows from investing activities</b>			
	Purchase of plant and equipment	<b>(19,022)</b>	(56,912)
	Proceeds from sales of plant and equipment	–	2,380
	Decrease in restricted bank balances	–	9,300
	Decrease in short-term bank deposits	<b>8,000</b>	–
	<b>Net cash used in investing activities</b>	<b>(11,022)</b>	(45,232)
<b>Cash flows from financing activities</b>			
	Capital element of finance lease payments	<b>(20,482)</b>	(9,758)
	Drawdown of long-term bank loans	<b>48,900</b>	54,630
	Repayment of long-term bank loans	<b>(25,392)</b>	(72,012)
	Drawdown of short-term bank loans	<b>149,039</b>	89,726
	Repayment of short-term bank loans	<b>(153,316)</b>	(25,032)
	Decrease in restricted bank balances	<b>17,460</b>	–
	Proceeds from issuance of placement shares	<b>60,200</b>	–
	Share issuance costs	<b>(1,806)</b>	–
	Dividends paid	–	(50,000)
	<b>Net cash generated from/(used in) financing activities</b>	<b>74,603</b>	(12,446)

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Note</i>	<b>2015</b>	2014
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net increase in cash and cash equivalents</b>		<b>131,836</b>	57,131
Cash and cash equivalents at beginning of the period		<b>177,061</b>	57,482
<b>Cash and cash equivalents at end of the period</b>		<b>308,897</b>	114,613
<b>Analysis of cash and cash equivalents</b>			
Cash and cash equivalents		<b>308,897</b>	131,708
Bank overdraft	18	–	(17,095)
		<b>308,897</b>	114,613

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

### **1 General information and key events**

#### *1.1 General information*

The Company was incorporated in the Cayman Islands on 17 September 2012 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries now comprising the Group (together the "Group") are principally engaged in foundation works and ancillary services in Hong Kong and Macau.

The Company has listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 16 October 2014.

These condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated and was approved for issue on 26 November 2015.

This condensed consolidated interim financial information has not been audited.

#### *1.2 Key events*

On 17 July 2015, the Company issued 20,000,000 ordinary shares pursuant to the completion of the placing (as mentioned in the Company's announcements dated 2 July 2015 and 17 July 2015). The net proceeds of the placing was about HK\$58 million and used for working capital purpose.

### **2 Basis of preparation and accounting policies**

#### *2.1 Basis of preparation*

This condensed consolidated interim financial information for the six months ended 30 September 2015 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and has been prepared under the historical cost convention.

## **2 Basis of preparation and accounting policies (Continued)**

### *2.2 Accounting policies*

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2015, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ended 31 March 2015 are not expected to have a material impact on the Group.

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

## **3 Financial risk management**

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 March 2015.

During the Period, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and liabilities.

## **4 Critical accounting estimates and judgements**

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the critical accounting estimates and judgements applied were consistent with those described in the annual financial statements for the year ended 31 March 2015.

## **5 Revenue and segment information**

Revenue, which is also the Group's turnover, represents gross contract receipts on foundation works and ancillary services in the ordinary course of business. Revenue recognised is as follows:

	<b>Unaudited Six months ended 30 September</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Turnover		
Foundation works and ancillary services	<b>540,036</b>	517,880

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as a single operating segment and review financial information accordingly. Therefore, no segment information is presented.



**6 Expenses by nature**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	<i>HK\$'000</i>
Cost of sales		
Construction contracts costs ( <i>note (a)</i> )	<b>401,360</b>	340,105
Depreciation	<b>7,755</b>	7,302
Repair and maintenance	<b>3,469</b>	3,741
Others	<b>1,304</b>	94
	<b>413,888</b>	351,242
Administrative expenses		
Depreciation	<b>227</b>	356
Operating leases rental in respect of		
– Office premises and storage premises	<b>2,483</b>	1,762
– Directors' quarters	<b>1,084</b>	1,084
Professional fees		
– incurred for initial public offering	–	11,481
– others	<b>(973)</b>	6,856
Staff costs, including directors' emoluments ( <i>note (b)</i> )	<b>7,794</b>	7,293
Others	<b>4,532</b>	4,601
	<b>15,147</b>	33,433
Total cost of sales and administrative expenses	<b>429,035</b>	384,675

*Notes:*

- (a) Construction contract costs included but not limited to costs of construction materials, staff costs (refer to note (b) below), consultancy fee, parts and consumables, subcontracting charges and transportation.
- (b) Total staff cost **95,926** 85,951  
Less: amount included in construction contracts costs or capitalised in work-in progress **(88,132)** (78,658)
- 7,794** 7,293

**7 Finance income and costs**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Finance income:		
– Interest income on bank deposits	<b>1,509</b>	345
Finance costs:		
– Interest expense on bank loans	<b>(3,732)</b>	(5,308)
– Interest expense on obligations under finance leases	<b>(1,781)</b>	(1,710)
– Interest expense on bank overdrafts	–	(176)
– Interest expense on amount due to a director	<b>(229)</b>	–
	<b>(5,742)</b>	(7,194)
Finance costs, net	<b>4,233</b>	6,849

**8 Income tax expense**

Hong Kong profits tax and Macau complementary tax have been provided at the rate of 16.5% and 12%, respectively, on the estimated assessable profit for the Period and the Previous Period.

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax		
Current income tax	<b>228</b>	772
Over-provision in prior year	<b>(62)</b>	–
Deferred income tax	<b>(106)</b>	7,952
Macau profits tax		
Current income tax	<b>3,245</b>	1,955
	<b>3,305</b>	10,679

**9 Earnings per share**

(a) *Basic*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	<b>Unaudited Six months ended 30 September</b>	
	<b>2015</b>	2014
Profit attributable to equity holders of the Company (HK\$'000)	<b>103,688</b>	115,906
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	<b>408,306</b>	300,000
Basic earnings per share (HK cents)	<b>25</b>	39

(b) *Diluted*

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding at Period end.

**10 Dividends**

On 26 November 2015, the Board resolved to declare an interim dividend of 5 HK cents per shares for the Period (2014: nil).

Final dividends of HK\$50,000,000 relating to the year ended 31 March 2014 and HK\$63,000,000 relating to the year ended 31 March 2015 were declared in September 2014 and October 2015, respectively.

**11 Plant and equipment**

	<b>Unaudited Six months ended 30 September</b>	
	<b>2015 HK\$'000</b>	2014 HK\$'000
At 1 April	<b>509,245</b>	398,832
Additions	<b>52,274</b>	120,231
Disposals	–	(717)
Write-off	–	(298)
Depreciation	<b>(7,982)</b>	(7,658)
At 30 September	<b>553,537</b>	510,390

**12 Trade and retention receivables**

	<b>Unaudited 30 September 2015 HK\$'000</b>	Audited 31 March 2015 HK\$'000
Trade receivables	<b>220,509</b>	127,835
Retention receivables	<b>91,858</b>	74,532
	<b>312,367</b>	202,367

The credit period granted to trade customers other than for retention receivables was within 45 days. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

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

	<b>Unaudited 30 September 2015 HK\$'000</b>	Audited 31 March 2015 HK\$'000
1 to 30 days	<b>218,820</b>	127,835
91 to 180 days	<b>1,689</b>	-
	<b>220,509</b>	127,835

As at 30 September 2015 and 31 March 2015, there were no retention receivables which were past due.

**13 Contracting work-in-progress**

	<b>Unaudited 30 September 2015 HK\$'000</b>	Audited 31 March 2015 HK\$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	<b>680,292</b>	318,273
Progress billings to date	<b>(681,359)</b>	(298,053)
	<b>(1,067)</b>	20,220

Included in current assets/(liabilities) are the following:

Due from customers for contract work	<b>38,964</b>	27,054
Due to customers for contract work	<b>(40,031)</b>	(6,834)
	<b>(1,067)</b>	20,220

**14 Restricted bank balances**

As at 30 September 2015, restricted bank balances consisted of (a) a deposit of HK\$17,617,000 to secure a performance bond and (b) a deposit of HK\$20,353,000 placed by a director.

**15 Share capital and reserves**

(a) *Share capital and share premium*

On 17 July 2015, 20,000,000 ordinary shares were issued under a placement at the placing price of HK\$3.01 per share.

	Number of shares	Share capital HK\$'000	Share premium HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised	1,000,000,000	10,000	
Issued and fully paid:			
Opening balance 1 April 2015	400,000,000	4,000	135,893
Issuance of placement shares	20,000,000	200	58,194
At 30 September 2015	420,000,000	4,200	194,087

(b) *Other reserves*

Other reserves of the Group represented the difference between the share capital of the subsidiaries acquired pursuant to the Reorganisation over the nominal value of the share capital of the Company issued in exchange thereof and the difference between the aggregation of the nominal value of the share capital of Sam Woo Bore Pile Foundation Limited and Sam Woo Engineering Equipment Limited acquired over the nominal value of the share capital of SW (BVI) issued in exchange thereof pursuant to the reorganisation completed in 2003.

**16 Trade and retention payables**

	<b>Unaudited 30 September 2015 HK\$'000</b>	Audited 31 March 2015 HK\$'000
Trade payables	<b>59,164</b>	35,637
Bills payables	<b>15,300</b>	–
Retention payables	<b>2,418</b>	1,299
	<b>76,882</b>	36,936

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

	<b>Unaudited 30 September 2015 HK\$'000</b>	Audited 31 March 2015 HK\$'000
0 to 30 days	<b>52,145</b>	25,586
31 to 60 days	<b>18,829</b>	5,142
61 to 90 days	<b>2,905</b>	1,823
91 to 180 days	<b>315</b>	3,032
181 to 365 days	<b>270</b>	54
	<b>74,464</b>	35,637

**17 Accruals and other payables**

Accruals and other payables mainly represent the final dividend of HK\$63,000,000 declared in September 2015 relating to the year ended 31 March 2015 (31 March 2015: NIL), the accruals and other payables for wages, legal and professional fees and other miscellaneous expenses.

**18 Bank overdrafts and borrowings**

	<b>Unaudited 30 September 2015 HK\$'000</b>	Audited 31 March 2015 HK\$'000
Non-current		
Obligations under finance leases	<b>59,688</b>	54,038
Long-term bank loans	<b>70,994</b>	68,472
	<b>130,682</b>	122,510
Current		
Short-term bank loans	<b>106,697</b>	110,974
Current portion of long-term bank loans due for repayment within one year	<b>66,114</b>	43,111
Long-term bank loans due after one year which contain repayment on demand clause	<b>15,438</b>	17,455
Obligations under finance leases due for repayment within one year	<b>39,002</b>	31,883
	<b>227,251</b>	203,423
Total borrowings	<b>357,933</b>	325,933

**19 Commitments**

(a) *Capital commitments*

	<b>Unaudited 30 September 2015 HK\$'000</b>	Audited 31 March 2015 HK\$'000
Contracted but not provided for:		
Plant and equipment	<b>75,901</b>	15,737

**19 Commitments (continued)***(b) Operating lease commitments – as lessee*

The future aggregate minimum lease rental expenses in respect of hiring equipment, office and storage premises, and quarters for workers and directors under non-cancellable operating leases are payable in the following periods:

	<b>Unaudited 30 September 2015 HK\$'000</b>	Audited 31 March 2015 HK\$'000
No later than 1 year	<b>3,407</b>	5,048
Later than 1 year and no later than 5 years	<b>3,574</b>	5,010
	<b>6,981</b>	10,058

**20 Related party transactions**

Save as disclosed elsewhere in the condensed consolidated interim financial information, the following were carried out with related parties in normal course of business during the Period.

*(a) Rental expenses paid to related companies*

	<b>Unaudited Six months ended 30 September 2015 HK\$'000</b>	2014 HK\$'000
<b>Rental expenses paid to:</b>		
Cheer Crown Limited	<b>1,080</b>	960
East Ascent Enterprise Limited	<b>23</b>	23
Cheer Profit International Enterprise Limited	<b>23</b>	23
Long Ascent Development Limited	<b>300</b>	300
Cheer Wealth International Development Limited	<b>438</b>	438
Healthy World Investment Limited	<b>300</b>	300

Rental expenses in respect of storage premises and directors' quarters were paid to companies beneficially owned by certain directors of the Company based on agreements entered into between the parties involved with reference to market rates of similar properties.

*(b) Interest expenses payable to a related party*

	<b>Unaudited Six months ended 30 September 2015 HK\$'000</b>	2014 HK\$'000
Interest expenses payable to a director	<b>229</b>	–

Interest expenses was payable to a director, Mr. Lau Chun Ming, in respect of the amount due to a director.



**20 Related party transactions (continued)**

(c) *Reimbursement of expenses from related parties*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
<b>Received from related parties:</b>		
Reimbursement of administrative expenses from Redland Precast Concrete Products Limited	–	58
Reimbursement of staff costs from Asian Giant Limited	–	484
	<u>–</u>	<u>484</u>

Reimbursement of administrative expenses and staff costs were charged at cost.

(d) *Key management compensation*

Key management includes directors (executive and non-executive) of the Group. The compensation paid or payable to key management for employee services is disclosed below.

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Fees	<b>360</b>	–
Salaries	<b>1,466</b>	1,346
Directors' quarters	<b>1,084</b>	1,084
Employer's contribution to pension scheme	<b>18</b>	17
	<u><b>2,928</b></u>	<u>2,447</u>