

Man King Holdings Limited

萬景控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code : 2193)

Interim Report 2015/16



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lo Yuen Cheong (*Chairman*)
Lo Yick Cheong

Non-executive Director

Chan Wai Ying

Independent non-executive Directors

Leung Wai Tat Henry
Lo Man Chi
Chau Wai Yung

AUDIT COMMITTEE

Leung Wai Tat Henry (*Chairman*)
Chan Wai Ying
Chau Wai Yung
Lo Man Chi

REMUNERATION COMMITTEE

Chau Wai Yung (*Chairman*)
Lo Yuen Cheong
Leung Wai Tat Henry
Lo Man Chi

NOMINATION COMMITTEE

Lo Yuen Cheong (*Chairman*)
Lo Yick Cheong
Chau Wai Yung
Leung Wai Tat Henry
Lo Man Chi

COMPANY SECRETARY

Wan Ho Yin

SOLICITORS

CFN Lawyers in association
with Broad & Bright
Maples and Calder

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

Industrial and Commercial Bank of China
(Asia) Limited

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL OFFICE

Unit D, 10/F
Skyline Tower
18 Tong Mi Road
Mongkok, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall, Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

2193

WEBSITE

<http://www.manking.com.hk>

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

Following the remarkable development milestone of Man King Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) being listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 3 July 2015, the Group’s strategy is to continuously develop the business significantly in its chosen markets in the coming years and to deliver a safe, robust, sustainable and optimised performance from efficient business processes. Our business will focus in public civil and environmental engineering in the Hong Kong construction industry and we will expand our client base to include more quasi-government and institutional organisations.

Looking ahead, the prospects for the Group’s construction sector is benefiting from continued greater public expenditure in construction to be maintained in the coming few years. We see that the Group’s proven capabilities in the construction industry will further develop good reputation and market share.

OVERALL RESULTS AND INDUSTRY OVERVIEW

The Group recorded revenue decrease of 7.9%, from approximately HK\$127.4 million for the six months ended 30 September 2014 to approximately HK\$117.3 million for the six months ended 30 September 2015. Major projects awarded in past four years have reached mature stage and continued to contribute to the growth of profit for the six months ended 30 September 2015. Net profit slightly increased by approximately HK\$0.6 million or 5% from approximately HK\$11.9 million for the six months ended 30 September 2014 to approximately HK\$12.5 million for the six months ended 30 September 2015.

As at 30 September 2015, the Group maintained a strong financial position with total assets of approximately HK\$310.8 million. Current assets were approximately HK\$306.9 million, or approximately 4.4 times the current liabilities. The equity attributable to owners of the Company increased significantly to approximately HK\$240.5 million or 69.6%.

According to the Hong Kong 2015–2016 Budget, the Hong Kong Government’s Capital Works Reserve Fund sat at approximately HK\$76.1 billion on infrastructure. There were several publicised issues related to the blocking of approval for public financing which postponed government tenders process due to the unavailability of expected funding approvals. The situation has improved in the second quarter, and more projects are expected to come up for tender in the third and fourth quarters.

Despite the challenging and competitive environment, the Group secured two new contracts during the six months ended 30 September 2015 with total value of approximately HK\$70.3 million. As at 30 September 2015, the Group had 6 major projects in progress, with a total estimated outstanding contract sum and work order value of approximately HK\$165.6 million.

Looking forward, infrastructure improvement is still central to the Government policy, as a means of maintaining economic growth and creating job opportunities. The Government has confirmed to spend over HK\$140 billion for the third runway and associated infrastructure development of the Chek Lap Kok International Airport. Other developments in West Kowloon Cultural District and strategic highways connecting Tseung Kwan O to Kowloon are also in progress. All these are anticipated to drive the demand of civil engineering works.

FINANCIAL REVIEW

Condensed consolidated statement of profit or loss

Revenue

The Group's revenue for the six months ended 30 September 2015 was approximately HK\$117.3 million representing a decrease of approximately 7.9% from approximately HK\$127.4 million in the same period of the last financial year. This decrease was mainly due to the combined effect of:

- (i) lower revenue of approximately HK\$12.1 million for two civil engineering projects located in Kai Tak and Tsing Yi, which were completed during the six months ended 30 September 2015;
- (ii) lower revenue of approximately HK\$12.7 million for two civil engineering projects for the six months ended 30 September 2015 as compared to the revenue of approximately HK\$28.7 million recognised for the same projects which had been completed in late 2014; and
- (iii) higher revenue of approximately HK\$15.5 million for the two new projects commenced during the six months ended 30 September 2015.

Gross profit

The gross profit margin increased from approximately 21.2% for the six months period ended 30 September 2014 to approximately 32.9% for the six months ended 30 September 2015, primarily due to the higher revenue from the matured projects which contributed the additional contract sums agreed and granted to the Group.

Other income

Other income was approximately HK\$981,000 and HK\$285,000 for the six months ended 30 September in 2015 and 2014 respectively. The increase was mainly due to more bank interest income received as a result of the increase in average bank balances after listing in July 2015.

Other gains and losses

Other gains and losses decreased from a gain of approximately HK\$102,000 for the six months ended 30 September 2014 to a loss of approximately HK\$2,160,000 for the six months ended 30 September 2015, primarily due to net change in fair value of held-for-trading investments of approximately HK\$1,198,000, and net exchange loss recognised resulting from the depreciation of Renminbi from August 2015 onwards.

Administrative expenses

Administrative expenses for the six months ended 30 September 2015 were approximately HK\$15.9 million, representing an increase of 24.2% from approximately HK\$12.8 million in same period of the last financial year. This was mainly attributable to the increase in directors' emolument from HK\$0.9 million to HK\$3.5 million, the share-based compensation expenses as a result of the grant of share options to employees and the incentive payments to our staff who had outstanding performance during the six months ended 30 September 2015.

Listing expenses

Listing expenses in relation to the share offer primarily consist of fees paid or payable to professional parties.

Finance costs

Finance costs decreased by 22.7% from approximately HK\$110,000 for the six months ended 30 September 2014 to approximately HK\$85,000 for the six months ended 30 September 2015, mainly due to the continuous repayments of bank borrowings and no new loan raised for the six months ended 30 September 2015.

Income tax expense

The effective tax rates for the six months ended 30 September 2014 and 2015 were approximately 17.4% and 19.4% respectively. The effective tax rate for the six months ended 30 September 2015 was higher than the statutory profit tax rate of 16.5% which was mainly due to underprovision of tax on one of the Group's joint operation which received the tax assessment during the six months ended 30 September 2015.

Profit for the period

For the six months ended 30 September 2015, the Group recorded net profit of approximately HK\$12.5 million, an increase of approximately 5% as compared to the net profit of approximately HK\$11.9 million for the corresponding period in the last financial year. This was mainly due to the increase in gross profit offset with the effect on recognition of listing expenses.

Condensed consolidated statement of financial position

Net assets of the Group increased 69.6% from approximately HK\$141.8 million as at 31 March 2015 to approximately HK\$240.5 million as at 30 September 2015.

Non-current assets increased by 9% from approximately HK\$1.8 million to approximately HK\$3.9 million, primarily due to the transfer from an owner-occupied property to investment property at fair value in September 2015.

Net current assets increased by 69.1% from approximately HK\$140.1 million to approximately HK\$236.9 million. The Group received proceeds from the initial public offering of HK\$92 million in July 2015, and repaid the bank borrowings of approximately HK\$4.8 million in full in September 2015.

Liquidity and financial resources

As at 30 September 2015, the Group had bank balances and cash of approximately HK\$197.5 million (31 March 2015: HK\$89.4 million), which were mainly denominated in Hong Kong dollars and Renminbi. The Group is exposed to the currency risks for fluctuation in exchange rates of Renminbi. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and has not adopted any currency hedging policy or other hedging instruments. The Group will continue to monitor its exposure to the currency risks closely.

The Group adopts a prudent approach in cash management and there was no interest bearing borrowings as at 30 September 2015 (31 March 2015: HK\$4.8 million).

The Group has available unutilised bank borrowings facilities of HK\$15.0 million as at 30 September 2015 (31 March 2015: nil).

Capital structure and gearing ratio

As at 30 September 2015, total equity was approximately HK\$240.5 million (31 March 2015: HK\$141.8 million) comprising ordinary share capital, share premium and reserves.

The gearing ratio of the Group, defined as a percentage of interest bearing liabilities divided by the total equity, decreased from 3.4% at 31 March 2015 to nil at 30 September 2015 as a result of full repayments of bank borrowings in September 2015.

For details of pledged assets, capital commitments, performance bonds and contingent liabilities of the Group, please refer to notes 16, 22 and 25 to the condensed consolidated financial statements accordingly.

Significant investments

Apart from the reorganisation in relation to the listing (the "Listing") of the shares of the Company (the "Shares"), there were no significant investments held for the six months ended 30 September 2015. Save for the business plan as disclosed in the prospectus of the Company dated 19 June 2015 (the "Prospectus"), there is no other plan for material investments or capital assets as at 30 September 2015.

Material acquisitions and disposal of subsidiaries and associated companies

During the six months ended 30 September 2015, there was no material acquisition or disposal of subsidiaries and associated companies by the Company.

DISCLOSURE OF INTERESTS

DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS IN THE SHARES OF THE COMPANY

As at 30 September 2015, the interests and/or short positions of the directors of the Company (the "Directors") and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") 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 in which they are taken or deemed to have under such provisions of the SFO), which or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director and Group member/ associated corporation	Capacity/nature	Number of issued ordinary shares held (long position)	Number of underlying shares (in respect of the share options (unlisted equity derivatives)) of the Company held	Percentage of the issued share capital of the company
Lo Yuen Cheong of the Company	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse ^(Note 1)	300,000,000	–	72.29%
	Beneficial owner ^(Note 2)	–	3,500,000	0.84%
Lo Yick Cheong of the Company	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse ^(Note 1)	300,000,000	–	72.29%
	Beneficial owner ^(Note 2)	–	3,500,000	0.84%
Chan Wai Ying of the Company	Beneficial owner ^(Note 2)	–	3,000,000	0.72%

Name of Director and Group member/ associated corporation	Capacity/nature	Number of issued ordinary shares held (long position)	Number of underlying shares (in respect of the share options (unlisted equity derivatives)) of the Company held	Percentage of the issued share capital of the company
Lo Yuen Cheong of Jade Vantage Holdings Limited	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse ^(Note 1)	50,000 of US\$1 each	–	100%
Lo Yick Cheong of Jade Vantage Holdings Limited	Beneficiary and co-founder of a discretionary trust, interest each in a controlled corporation and interest in spouse ^(Note 1)	50,000 of US\$1	–	100%

Notes:

1. Jade Vantage Holdings Limited, which owns 72.29% of the issued share capital of the Company, is owned as to 100% by LOs Brothers (PTC) Limited, the trustee of the Los Family Trust. Mr. Lo Yuen Cheong, Mr. Lo Yick Cheong and each of their spouses are co-founders of the Los Family Trust, which holds the entire issued share capital of Jade Vantage Holdings Limited, which holds 300,000,000 Shares. By virtue of the SFO, Mr. Lo Yuen Cheong and Mr. Lo Yick Cheong are deemed to be interested in the Shares in which Jade Vantage Holdings Limited is interested.
2. The relevant Director was granted options to subscribe for such number of Shares under the share option scheme (“Share Option Scheme”) adopted by the Company on 3 June 2015.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND OTHER INTERESTS

As at 30 September 2015, so far as the Directors are aware, the following persons (not being a Director or a chief executive of the Company) will have an interest and/or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Nature of interest	Number of issued ordinary shares held (long position)	Percentage of the issued share capital of the Company
LOs Brothers (PTC) Limited	Interest in a controlled corporation	300,000,000	72.29%
Jade Vantage Holdings Limited	Beneficial owner	300,000,000	72.29%
Tam Wai Sze, Vera	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse	300,000,000	72.29%
Cheung Suk Ching, Savonne	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse	300,000,000	72.29%

Note: Jade Vantage Holdings Limited, which owns 72.29% of the issued share capital of the Company, is owned as to 100% by LOs Brothers (PTC) Limited, the trustee of the Los Family Trust. Mr. Lo Yuen Cheong, Mr. Lo Yick Cheong and each of their spouses are co-founders of the Los Family Trust, which holds the entire issued share capital of Jade Vantage Holdings Limited, which holds 300,000,000 Shares. By virtue of the SFO, Mr. Lo Yuen Cheong and Mr. Lo Yick Cheong are deemed to be interested in the Shares in which Jade Vantage Holdings Limited is interested.

Save as disclosed above, no other person (other than Directors or chief executive of the Company) has an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to the Share Option Scheme, the Board may, at its discretion, grant options pursuant to the Share Option Scheme to Directors (including the independent non-executive Directors), the Company's subsidiaries, employees of the Group and other persons the Board considers have contributed or will contribute to the Group. The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company (i.e. 41,500,000 shares), unless otherwise approved by the shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules. The subscription price of a share in respect of a particular option shall be not less than the highest of (a) the official closing price of the Shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share. The Share Option Scheme shall remain effective within a period of 10 years from that date.

The outstanding share options granted as disclosed in the announcement of the Company dated 15 July 2015 entitled the relevant grantees to subscribe for an aggregate 25,000,000 new shares of HK\$0.01 each in the share capital of the Company. Status of the options granted under the Share Option Scheme for the six months ended 30 September 2015 is as follows:

Name of Directors	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1.4.2015	Number of share options			Outstanding at 30.9.2015
					Granted during the period	Exercised during the period	Cancelled during the period	
Lo Yuen Cheong	15 July 2015	15 July 2016 to 14 July 2017	1.1	-	1,750,000	-	-	1,750,000
		15 July 2017 to 14 January 2018	1.1	-	1,750,000	-	-	1,750,000
Lo Yick Cheong	15 July 2015	15 July 2016 to 14 July 2017	1.1	-	1,750,000	-	-	1,750,000
		15 July 2017 to 14 January 2018	1.1	-	1,750,000	-	-	1,750,000
Chan Wai Ying	15 July 2015	15 July 2016 to 14 July 2017	1.1	-	1,500,000	-	-	1,500,000
		15 July 2017 to 14 January 2018	1.1	-	1,500,000	-	-	1,500,000
				-	10,000,000	-	-	10,000,000

Save as disclosed above, none of the Directors had any interests in the share options to subscribe for the shares.

Employees	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1.4.2015	Number of share options			Outstanding at 30.9.2015
					Granted during the period	Exercised during the period	Cancelled during the period	
15 July 2015	15 July 2016 to 14 July 2017	15 July 2016 to 14 July 2017	1.1	-	7,500,000	-	(446,000)	7,054,000
		15 July 2017 to 14 January 2018	1.1	-	7,500,000	-	(446,000)	7,054,000
				-	15,000,000	-	(892,000)	14,108,000

No option was exercised or lapsed during the six months ended 30 September 2015.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company has adopted, applied and complied with the code provisions of Corporate Governance Code set out in Appendix 14 of the Listing Rules since the listing of the Company on the Stock Exchange on 3 July 2015 (the “Listing Date”) to 30 September 2015, except for provision A.2.1 in respect of the separate roles of the chairman and chief executive officer.

According to provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lo Yuen Cheong is the Chairman and Chief Executive Officer of the Company, responsible for the financial and operational aspects of the Group, and is jointly responsible for the formulation of business development strategies of the Group. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Lo Yuen Cheong has the benefit of managing the Group’s business and overall operation in an efficient manner. The Board considers that the balance of power and authority under the present arrangement will not be impaired in light of the operations of the Board with half of them being independent non-executive Directors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Upon specific enquiry of all the Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code since the Listing Date to 30 September 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities since the Listing Date to 30 September 2015.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

Based on the offer price of HK\$0.8 per Share, the net proceeds from Listing received by the Company, net of underwriting commissions and other estimated listing expenses, are estimated to be approximately HK\$71.1 million.

The net proceeds from the Listing will be utilised subsequent to the Listing in accordance with the proposed applications set out in the section “Future Plans and Use of Proceeds” of the Prospectus. The below table sets out the proposed applications of the net proceeds and usage up to the date of this report:

	Proposed application <i>HK\$'million</i>	Actual usage up to the date of report <i>HK\$'million</i>
Acquisition of additional machinery and equipment	42.7	1.8
Hiring of additional staff	17.8	–
Upgrade of information technology system and software	3.5	0.5
General working capital	7.1	7.1
	<u>71.1</u>	<u>9.4</u>

As at the date of this report, the Group does not anticipate any change to the above use of proceeds.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 September 2015.

REVIEW OF INTERIM RESULTS

The Audit Committee and the Company’s external auditor have reviewed the accounting policies adopted by the Group and the unaudited consolidated interim financial results for the six months ended 30 September 2015.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the management on the basis of their merit, qualifications and competence.

The Remuneration Committee considers and recommends to the Board on the remuneration and other benefits paid by the Company to the Directors by reference to the Company's operating results, individual performance and comparable market rates. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

As at 30 September 2015, the Group had an aggregate of 139 full-time employees (31 March 2015: 169 full-time employees). Employee costs excluding Directors' emoluments totalled HK\$23.2 million for the six months ended 30 September 2015 (six months ended 30 September 2014: HK\$23.7 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale.

By Order of the Board

Lo Yuen Cheong

Chairman and Executive Director

30 November 2015

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF MAN KING HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Man King Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 18 to 50, which comprises the condensed consolidated statement of financial position as of 30 September 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

OTHER MATTER

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month ended 30 September 2014 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 November 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Notes	Six months ended	
		30.9.2015 <i>HK\$'000</i> (Unaudited)	30.9.2014 <i>HK\$'000</i> (Unaudited)
Revenue	3	117,326	127,376
Cost of services		(78,697)	(100,337)
Gross profit		38,629	27,039
Other income	4	981	285
Other gains and losses	5	(2,160)	102
Administrative expenses		(15,937)	(12,843)
Listing expenses		(5,873)	–
Finance costs	6	(85)	(110)
Profit before tax	7	15,555	14,473
Income tax expense	8	(3,018)	(2,523)
Profit for the period		12,537	11,950
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain on transfer of owner-occupied property to investment property, net of deferred taxation	12	1,193	–
Total comprehensive income for the period attributable to owners of the Company		13,730	11,950
Earnings per share			
Basic and diluted (in HK cents)	9	3.52	4.55

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2015

	Notes	30.9.2015 HK\$'000 (Unaudited)	31.3.2015 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Investment property	11	2,200	–
Property, plant and equipment	12	956	1,775
Deposits on acquisition of property, plant and equipment		701	–
		<u>3,857</u>	<u>1,775</u>
CURRENT ASSETS			
Amounts due from customers for contract works	13	35,895	39,140
Debtors, deposits and prepayments	14	51,750	58,402
Amounts due from joint operations/ other partners of joint operations	15(i)	11,801	10,768
Tax recoverable		637	–
Held-for-trading investments	24	3,303	–
Pledged bank deposits	16	6,051	15,985
Bank balances and cash	16	197,463	89,386
		<u>306,900</u>	<u>213,681</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 30 SEPTEMBER 2015

	Notes	30.9.2015 <i>HK\$'000</i> (Unaudited)	31.3.2015 <i>HK\$'000</i> (Audited)
CURRENT LIABILITIES			
Amounts due to customers for contract works	13	32,203	29,546
Creditors and accrued charges	17	23,629	26,943
Amounts due to other partners of joint operations	15(ii)	7,761	6,973
Amount due to a fellow subsidiary of a joint operation partner	15(iii)	657	657
Tax liabilities		5,740	4,648
Bank borrowings	18	–	4,846
		<u>69,990</u>	<u>73,613</u>
NET CURRENT ASSETS		<u>236,910</u>	<u>140,068</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		240,767	141,843
NON-CURRENT LIABILITY			
Deferred tax liability	12	<u>236</u>	–
		<u>240,531</u>	<u>141,843</u>
CAPITAL AND RESERVES			
Share capital	19	4,150	–
Share premium and reserves		<u>236,381</u>	<u>141,843</u>
		<u>240,531</u>	<u>141,843</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Property revaluation reserve HK\$'000	Other reserve HK\$'000 (note)	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2014 (audited)	29,400	-	-	-	-	80,636	110,036
Profit and total comprehensive income for the period	-	-	-	-	-	11,950	11,950
At 30 September 2014 (unaudited)	<u>29,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,586</u>	<u>121,986</u>
At 1 April 2015 (audited)	- *	-	-	-	33,600	108,243	141,843
Profit for the period	-	-	-	-	-	12,537	12,537
Other comprehensive income for the period	-	-	-	1,193	-	-	1,193
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,193</u>	<u>-</u>	<u>12,537</u>	<u>13,730</u>
Issue of shares pursuant to the Share Offer (note 19)	1,150	90,850	-	-	-	-	92,000
Share issue expenses	-	(7,675)	-	-	-	-	(7,675)
Capitalisation Issue (note 19)	3,000	(3,000)	-	-	-	-	-
Share-based compensation expenses (note 20)	-	-	633	-	-	-	633
At 30 September 2015 (unaudited)	<u>4,150</u>	<u>80,175</u>	<u>633</u>	<u>1,193</u>	<u>33,600</u>	<u>120,780</u>	<u>240,531</u>

* Less than HK\$1,000

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

Note: The Company was incorporated on 12 November 2014 with limited liability in the Cayman Islands with an authorised share capital of HK\$2,000,000,000 divided into 200,000,000,000 ordinary shares with a par value of HK\$0.01 per share. 1 share was allotted and issued to the subscriber, which was transferred to Jade Vantage Holdings Limited (“Jade Vantage”) on 12 November 2014. 9,999 ordinary shares were allotted and issued to Jade Vantage on 13 November 2014 at par (note 19).

As part of the group reorganisation completed on 31 December 2014, Mr. Lo Yuen Cheong and Ms. Tam Wai Sze, Vera, the ultimate shareholders and the directors of the Company, transferred their 100% equity interest in Concentric Construction Limited (“Concentric”) to Wit Plus Limited (“Wit Plus”), a wholly-owned subsidiary of the Company, for the 5,000 ordinary shares at par value of US\$1.00 each in the share capital of Jade Vantage. On the same date, Mr. Lo Yick Cheong and Ms. Cheung Suk Ching, Savonne, the ultimate shareholders and the directors of the Company, transferred their 100% equity interest in Peako Engineering Co. Limited (“Peako”) to Keytime Developments Limited (“Keytime”), a wholly-owned subsidiary of the Company, for the 5,000 ordinary shares at par value of US\$1.00 each in the share capital of Jade Vantage. As a result, Concentric and Peako became indirectly wholly-owned subsidiaries of the Company. The share capital of Peako and Concentric of HK\$33,600,000 is reclassified to “Other reserve”.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Six months ended	
	30.9.2015	30.9.2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before tax	15,555	14,473
Adjustments for:		
Change in fair value of held-for-trading investments, net	1,198	–
Depreciation of property, plant and equipment	255	328
Interest income	(755)	(199)
Finance costs	85	110
Gain on disposal of property, plant and equipment	(131)	–
Share-based compensation expenses	633	–
Unrealised net exchange losses (gains)	1,093	(102)
Operating cash flows movements in working capital	4,766	(21,026)
	<hr/>	<hr/>
Cash generated from (used in) operations	22,699	(6,416)
Income tax paid	(2,563)	(700)
	<hr/>	<hr/>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	20,136	(7,116)
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	9,934	–
Placement of pledged bank deposits	–	(5,720)
Interest income	755	199
Proceeds from disposal of property, plant and equipment	131	–
Deposits paid for acquisition of property, plant and equipment	(701)	–
Purchase of property, plant and equipment	(207)	(295)
Advances to joint operations	(227)	–
Advances to other partner of a joint operation	(45)	–
Advances to directors	–	(25,725)
Advances to related parties	–	(69,500)
Repayments from related parties	–	68,673
	<hr/>	<hr/>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	9,640	(32,368)
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Six months ended	
	30.9.2015	30.9.2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	92,000	–
Repayment of bank borrowings	(4,846)	(873)
Interest paid	(85)	(110)
Share issue cost directly attributable to issue of new shares	(7,675)	–
Advance from a director	–	20,009
Repayment to a shareholder	–	(1,037)
Advance from a shareholder	–	1,595
	<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES	79,394	19,584
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	109,170	(19,900)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	89,386	90,110
Effect of foreign exchange rate changes	(1,093)	102
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	197,463	70,312
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is incorporated in the Cayman Islands with limited liability and its shares have been listed on the Stock Exchange with effect from 3 July 2015.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property, which are measured at fair values at the end of the reporting period.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

In addition, the Group has applied the following new accounting policies in the current interim period in relation to change in use of a Group’s property, purchase of held for trading securities and grant of share options.

Property, plant and equipment

Transfer from owner-occupied property to investment property carried at fair value

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant property revaluation reserve will be transferred directly to retained earnings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investment property

Investment property is property held to earn rentals. Investment property is measured initially at cost or deemed cost which is the fair value of property at the time of transfer from owner-occupied property. Subsequent to initial recognition, investment property is measured at fair value. Gain and loss arising from change in the fair value of the investment property is included in profit or loss in the period in which it arises.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

For the purpose of measuring deferred tax liability for investment property that is measured using the fair value model, the carrying amount of such property is presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets classified as at FVTPL represent the financials asset that are held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to directors of the Company and employees of the Group are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 20.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements *(Continued)*

Share-based payment transactions of the Company (Continued)

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for revenue arising on civil engineering works and consultancy fee income.

	Six months ended	
	30.9.2015	30.9.2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Civil engineering works	117,321	127,356
Consultancy fee income	5	20
	<hr/>	<hr/>
	117,326	127,376
	<hr/>	<hr/>

Information reported to the management of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance is on a project by project basis. Each individual project constitutes an operating segment. For operating segments that have similar economic characteristics, are produced using similar production process, distributed and sold to similar classes of customers and under similar regulatory environment, their segment information is aggregated into civil engineering works as single reportable segment. The management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the period of the Group as presented in the condensed consolidated statement of profit or loss and other comprehensive income. No analysis of the Group's assets and liabilities is regularly provided to the management of Group for review.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

4. OTHER INCOME

	Six months ended	
	30.9.2015	30.9.2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	755	199
Rental income from investment property	7	–
Sundry income	219	86
	<u>981</u>	<u>285</u>

5. OTHER GAINS AND LOSSES

	Six months ended	
	30.9.2015	30.9.2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	131	–
Change in fair value of held-for-trading investments, net	(1,198)	–
Unrealised net exchange (losses) gains	(1,093)	102
	<u>(2,160)</u>	<u>102</u>

6. FINANCE COSTS

Finance costs represent interest on bank borrowings wholly repayable within five years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

7. PROFIT BEFORE TAX

	Six months ended	
	30.9.2015	30.9.2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging:		
Directors' emoluments	3,522	873
Salaries and other allowances	21,770	22,862
Retirement benefit scheme contributions, excluding those of directors	830	858
Share-based compensation expenses	633	–
Less: amounts included in cost of services	(18,607)	(18,589)
	8,148	6,004
Depreciation of property, plant and equipment	255	328
Less: amounts included in cost of services	–	(73)
	255	255
Operating lease rentals in respect of land and buildings	702	603

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

8. INCOME TAX EXPENSE

	Six months ended	
	30.9.2015	30.9.2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	2,367	2,523
Underprovision in prior periods	651	–
	3,018	2,523

The Group is subjected to 16.5% of the estimated assessable profit under Hong Kong Profits Tax.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended	
	30.9.2015	30.9.2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	12,537	11,950
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings per share	356,557	262,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

9. EARNINGS PER SHARE *(Continued)*

The weighted average number of ordinary shares in issue of 356,557,000 (six months ended 30 September 2014: 262,500,000 shares) is on the assumption that the group reorganisation (explained in the note of condensed consolidated statement of changes in equity) and the Capitalisation Issue (defined and explained in note 19) are deemed to have become effective on 1 April 2014.

For the six months ended 30 September 2015, the diluted earnings per share does not assume the effect from the Company's outstanding share options (note 20) as the exercise price of those options is higher than the average market price for shares from the grant date to 30 September 2015. For the six months ended 30 September 2014, there is no potential ordinary share in share or outstanding.

10. DIVIDEND

No dividends were paid, declared or proposed by the Company during the current and prior interim periods.

11. INVESTMENT PROPERTY

HK\$'000
(Unaudited)

FAIR VALUE

Transfer from owner-occupied property during the period
(note 12) and at 30 September 2015

2,200

The fair value of the Group's investment property at 30 September 2015 has been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited ("the Valuer"), an independent qualified professional valuer not connected with the Group.

The fair value, classified as Level 3 of the fair value hierarchy as at 30 September 2015, was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

11. INVESTMENT PROPERTY *(Continued)*

In estimating the fair value of the property, the highest and best use of the property is their current use.

The investment property is commercial property unit located in Hong Kong under medium-term leases.

For the purpose of measuring deferred tax liability arising from investment property that is measured using the fair value model, the directors have reviewed the Group's investment property and determined that the presumption to recover the carrying amounts of investment property through sale is not rebutted. As a result, the Group does not recognised deferred tax on changes in fair value of investment property (if any) as the Group is not subject to any income taxes on disposal of its investment property.

12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately HK\$207,000 (six months ended 30 September 2014: HK\$295,000) on property, plant and equipment, mainly including equipment for construction works.

On 1 September 2015, the Group transferred an owner-occupied property located in Hong Kong to investment property and rented to a third party (note 11). The carrying amount and fair value of the property was approximately HK\$771,000 and HK\$2,200,000 on the date of transfer, respectively. The excess HK\$1,429,000 of the fair value over the carrying amount and the related deferred tax liabilities of approximately HK\$236,000 was recorded in other comprehensive income as fair value gain.

The fair value of the Group's owner-occupied property at the date of transfer (i.e. 1 September 2015) has been arrived at on the basis of a valuation carried out on that date by the Valuer by reference to market evidence of transaction prices for similar properties in the same location and conditions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

13. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	30.9.2015	31.3.2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Contracts in progress at the end of the reporting periods:		
Contract costs incurred plus recognised profits less recognised losses	949,949	1,120,809
Less: progress billings	(946,257)	(1,111,215)
	3,692	9,594
Analysed for reporting purposes as:		
Amounts due from customers for contract works	35,895	39,140
Amounts due to customers for contract works	(32,203)	(29,546)
	3,692	9,594

As 30 September 2015, retention held by customers for contract works amounted to HK\$20,472,000 (31 March 2015: HK\$18,287,000) as disclosed in note 14. No advances were received from customers at 30 September 2015 and 31 March 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	30.9.2015 <i>HK\$'000</i> (Unaudited)	31.3.2015 <i>HK\$'000</i> (Audited)
Trade receivables	20,373	28,801
Retention receivables	20,472	18,287
Deposits and prepaid expenses (<i>note</i>)	9,874	10,556
Others	1,031	758
	51,750	58,402

Note: As at 30 September 2015, included in deposits and prepaid expenses is a deposit of HK\$3,370,000 (31 March 2015: HK\$2,440,000) which has been placed and pledged to an insurance institution to secure a performance bond issued by the institution to a customer of the Group (*note* 25).

The Group allows credit period up to 60 days to certain customers.

The aged analysis of the Group's trade receivables based on certification/invoice dates at the end of each reporting period are as follows:

	30.9.2015 <i>HK\$'000</i> (Unaudited)	31.3.2015 <i>HK\$'000</i> (Audited)
0–30 days	13,292	24,699
31–60 days	4,634	3,781
61–90 days	2,447	–
Over 90 days	–	321
	20,373	28,801

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

14. DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

	30.9.2015 <i>HK\$'000</i> (Unaudited)	31.3.2015 <i>HK\$'000</i> (Audited)
Retention receivables:		
Due within one year	6,460	1,757
Due after one year	14,012	16,530
	<hr/> 20,472 <hr/>	<hr/> 18,287 <hr/>

Included in the Group's trade receivables are debtors with a carrying amount of HK\$2,447,000 (31 March 2015: HK\$321,000) at 30 September 2015 which are past due but not impaired as at the end of respective reporting periods. As there has not been a significant change in credit quality, the amounts are still considered recoverable.

	30.9.2015 <i>HK\$'000</i> (Unaudited)	31.3.2015 <i>HK\$'000</i> (Audited)
Overdue:		
0–30 days	2,447	–
61–90 days	–	321
	<hr/> 2,447 <hr/>	<hr/> 321 <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

15. AMOUNTS DUE FROM (TO) JOINT OPERATIONS/OTHER PARTNERS OF JOINT OPERATIONS AND AMOUNT DUE TO A FELLOW SUBSIDIARY OF A JOINT OPERATION PARTNER

- (i) The amounts due from joint operations/other partners of joint operations comprise:

	30.9.2015 HK\$'000 (Unaudited)	31.3.2015 HK\$'000 (Audited)
Amounts due from joint operations		
— trade-related	11,097	10,336
Amounts due from joint operations		
— non trade-related (note)	227	–
Amounts due from other partner of a joint operation (note)	477	432
	11,801	10,768

The Group allows a credit period of up to 60 days to its joint operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

15. AMOUNTS DUE FROM (TO) JOINT OPERATIONS/OTHER PARTNERS OF JOINT OPERATIONS AND AMOUNT DUE TO A FELLOW SUBSIDIARY OF A JOINT OPERATION PARTNER *(Continued)*

- (i) The amounts due from joint operations/other partners of joint operations comprise: *(Continued)*

The aged analysis of the Group's trade-related amounts due from joint operations based on certification/invoice dates at the end of each reporting period are as follows:

	30.9.2015	31.3.2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Amounts due from joint operations:		
0–30 days	824	962
31–60 days	846	726
61–90 days	779	–
	2,449	1,688
Retention receivables:		
Due after one year	8,648	8,648
	11,097	10,336

Included in the Group's amounts due from joint operations are debtors with a carrying amount of HK\$779,000 (31 March 2015: nil) which are past due but not impaired as at the end of respective reporting periods.

Note: The amounts are non trade-related, unsecured, interest-free and repayable on demand within 12 months.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

15. AMOUNTS DUE FROM (TO) JOINT OPERATIONS/OTHER PARTNERS OF JOINT OPERATIONS AND AMOUNT DUE TO A FELLOW SUBSIDIARY OF A JOINT OPERATION PARTNER *(Continued)*

- (ii) Amounts due to other partners of joint operations include trade-related amounts due to other partners of joint operations amounting to HK\$7,761,000 as at 30 September 2015 (31 March 2015: HK\$6,973,000).

The credit period on amounts due to other partners of joint operations is 60 days.

Ageing analysis of the Group's trade-related amounts due to other partners of joint operations based on certification/invoice dates at the end of each reporting period is as follows:

	30.9.2015 HK\$'000 (Unaudited)	31.3.2015 HK\$'000 (Audited)
Amounts due to other partners of joint operations:		
0–30 days	928	1,173
31–60 days	608	–
61–90 days	743	–
Over 90 days	80	424
	<hr/>	<hr/>
	2,359	1,597
Retention payables:		
Due within one year	712	686
Due after one year	4,690	4,690
	<hr/>	<hr/>
	7,761	6,973
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

15. AMOUNTS DUE FROM (TO) JOINT OPERATIONS/OTHER PARTNERS OF JOINT OPERATIONS AND AMOUNT DUE TO A FELLOW SUBSIDIARY OF A JOINT OPERATION PARTNER *(Continued)*

- (iii) Amount due to a fellow subsidiary of a joint operation partner is trade-related, unsecured, interest-free and repayable on demand.

The credit period on amount due to fellow subsidiary of a joint operation partner is 60 days.

Ageing analysis of the Group's trade-related amount due to a fellow subsidiary of a joint operation partner based on certification/invoice dates at the end of each reporting period is as follows:

	30.9.2015 HK\$'000 (Unaudited)	31.3.2015 HK\$'000 (Audited)
Over 90 days	<u>657</u>	<u>657</u>

16. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits of the Group are pledged to banks for securing the performance bonds issued by the banks to the Group's customers on behalf of the Group as a guarantee (note 25). The bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

17. CREDITORS AND ACCRUED CHARGES

	30.9.2015 HK\$'000 (Unaudited)	31.3.2015 HK\$'000 (Audited)
Trade payables	13,709	16,161
Retention payables	8,774	8,590
Other payables and accruals	1,146	2,192
	<u>23,629</u>	<u>26,943</u>

The credit period on trade purchases is 30 to 60 days.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

17. CREDITORS AND ACCRUED CHARGES *(Continued)*

Ageing analysis of the Group's trade payables based on invoice dates at the end of each reporting period is as follows:

	30.9.2015 HK\$'000 (Unaudited)	31.3.2015 HK\$'000 (Audited)
0–30 days	4,930	7,982
31–60 days	7,545	6,891
61–90 days	43	147
Over 90 days	1,191	1,141
	13,709	16,161
	30.9.2015 HK\$'000 (Unaudited)	31.3.2015 HK\$'000 (Audited)
Retention payables:		
Due within one year	3,919	675
Due after one year	4,855	7,915
	8,774	8,590

18. BANK BORROWINGS

The variable-rate bank borrowings at 31 March 2015 were secured by a personal guarantee of HK\$9,000,000 from Mr. Lo Yuen Cheong, a director of the Company and his wife, carrying interest at 1.5% per annum below the Best Leading Rate Offered by the bank. All bank borrowings were repaid during the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

19. SHARE CAPITAL

	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 12 November 2014 (date of incorporation), 31 March 2015 and 30 September 2015	<u>200,000,000,000</u>	<u>2,000,000,000</u>
Issued and fully paid:		
Issue of share at date of incorporation	1	–
Issue of shares on 13 November 2014	<u>9,999</u>	<u>100</u>
At 31 March 2015	10,000	100
Issue of shares on initial public offering <i>(note i)</i>	115,000,000	1,150,000
Issue of shares by capitalisation of share premium account <i>(note ii)</i>	<u>299,990,000</u>	<u>2,999,900</u>
At 30 September 2015	<u>415,000,000</u>	<u>4,150,000</u>

The Company was incorporated on 12 November 2014 with limited liability in the Cayman Islands with an authorised share capital of HK\$2,000,000,000 divided into 200,000,000,000 ordinary shares with a par value of HK\$0.01 per share. 1 share was allotted and issued to the subscriber, which was transferred to Jade Vantage on 12 November 2014. 9,999 ordinary shares were allotted and issued to Jade Vantage on 13 November 2014 at par.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

19. SHARE CAPITAL *(Continued)*

Notes:

- (i) In connection with the initial public offering of the Company on the Main Board of the Stock Exchange, 115,000,000 new ordinary shares of HK\$0.01 each were issued at a price of HK\$0.8 per share for a total cash consideration, before expenses, of HK\$92,000,000 (the “Share Offer”). Dealings in the shares of the Company on the Stock Exchange commenced on 3 July 2015.
- (ii) Pursuant to the special resolution of the sole shareholder of the Company passed on 3 June 2015, a sum of HK\$2,999,900 standing to the credit of the share premium account of the Company was approved to be capitalised and for the allotment and issue of 299,990,000 ordinary shares of HK\$0.01 each, credited as fully paid at par on 3 July 2015 (the “Capitalisation Issue”).

20. SHARE-BASED PAYMENT TRANSACTIONS

The Group adopted a share option scheme on 3 June 2015 (“Share Option Scheme”). The purpose of the Share Option Scheme is to provide any directors and full-time employees of any member of the Group, have contributed or will contribute to the Group (“Participants”) with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

Pursuant to the Share Option Scheme, the directors of the Company may invite Participants to take up options at a price determined by the board of directors provided that it shall be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date on which an offer is made by the Company to the grantee (which date must be a business day, “Offer Date”); (b) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the Offer Date; and (c) the nominal value of a share of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

20. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 41,500,000 shares, representing 10% of the total number of shares in issue as at 30 September 2015 unless the Company obtains a fresh approval from the shareholders to refresh the limit.

The maximum entitlement for any one Participant is that the total number of the shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless otherwise approved by the shareholders at a general meeting of the Company.

The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which would be determined and notified by the board of directors to the grantee at the time of making an offer.

On 15 July 2015, the Company offered to grant an aggregate of 25,000,000 share options to certain directors of the Company and employees of the Group. Fair value of these share options was calculated using the binomial model. The inputs into the model were as follows:

Grant date share price	HK\$1.1
Exercise price	HK\$1.1
Exercisable period	50%: 15 July 2016 to 14 July 2017 50%: 15 July 2017 to 14 January 2018
Expected life	2 to 2.5 years
Expected volatility	56.37% to 59.58%
Dividend yield	2.82% to 2.85%
Risk-free interest rate	0.374% to 0.551%

Expected volatility was determined by using the historical volatility of comparable companies within the industry listed in Hong Kong.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

20. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Dividend yield was determined with reference to historical dividend yields of comparable companies. Risk-free interest rate was determined based on two-year and three-year yields of Hong Kong Government bond curve at grant date.

During the current period, 892,000 share options were cancelled upon resignation of the employees. As at 30 September 2015, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme as at 30 September 2015 was 24,108,000, representing 5.8% of the shares of the Company as at 30 September 2015.

The estimated fair values of the options granted on 15 July 2015 was approximately HK8,085,000. The share-based compensation expenses recognised during the six months ended 30 September 2015 was approximately HK\$633,000.

21. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	30.9.2015 HK\$'000 (Unaudited)	31.3.2015 HK\$'000 (Audited)
Within one year	1,471	930
In the second to fifth year inclusive	1,515	113
	2,986	1,043

The leases are generally negotiated for a lease term of 2 years of fixed rentals.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

21. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessor

Property rental income earned during the period was HK\$6,500 (six months ended 30 September 2014: nil). The Group's investment property is held for rental purpose. The property held has committed tenant for one year.

At the end of the reporting period, the Group had contracted tenant for the following future minimum lease payments:

	30.9.2015 HK\$'000 (Unaudited)	31.3.2015 HK\$'000 (Audited)
Within one year	<u>72</u>	<u>–</u>

22. CAPITAL COMMITMENTS

	30.9.2015 HK\$'000 (Unaudited)	31.3.2015 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<u>3,019</u>	<u>–</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

23. RELATED PARTY DISCLOSURES

(i) Transactions

The Group had the following transactions with related parties during the period:

Name of related parties	Nature of transaction	Six months ended	
		30.9.2015 HK\$'000 (Unaudited)	30.9.2014 HK\$'000 (Unaudited)
Concordia Engineering Limited	Administrative charges (note a)	–	(150)
C&P (Holdings) Hong Kong Limited	Rental expense (note b)	(78)	–

Note:

- (a) Concordia Engineering Limited (“Concordia”) was a related company in which Loh Sau Ling had beneficial interests and joint control with a third party. Loh Sau Ling is a sibling of Mr. Lo Yick Cheong and Mr. Lo Yuen Cheong, the directors of the Company and had been a director of Peako since April 2006 and resigned on 17 February 2012. In November 2014, the shares of Concordia held by Loh Sau Ling were transferred to a third party, thereafter Concordia ceased to be a related party of the Group.

Administrative charges represented expenses paid/payable by a subsidiary of the Company for certain administrative functions provided by Concordia for a construction project of the Group.

- (b) C&P (Holdings) Hong Kong Limited (“C&P”) is a related company in which Loh Sau Ling and a shareholder of the Company collectively own its entire interest. The Group occupied the premises which are owned by C&P as office free of charge of rental for the year ended 31 March 2014. In November 2014, the Group entered into a written tenancy agreement for a term of two years at a monthly rent of HK\$13,000.

(ii) Balances and other transactions

Details of balances and other transactions with related parties are set out in note 15. A personal guarantee provided by Mr. Lo Yuen Cheong, a director of the Company and his wife was disclosed in note 18. Such guarantee was released in January 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

23. RELATED PARTY DISCLOSURES (Continued)

(iii) Compensation of key management personnel

The remuneration of executive directors of the Company and other members of key management was as follows:

	Six months ended	
	30.9.2015 HK\$'000 (Unaudited)	30.9.2014 HK\$'000 (Unaudited)
Short term benefits	6,154	3,550
Post-employment benefits	54	27
	<u>6,208</u>	<u>3,577</u>

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial asset that is measured at fair value on a recurring basis

Held-for-trading non-derivative financial asset is measured at fair value at 30 September 2015. The following table gives information about how the fair value of this financial asset is determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurement is categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurement is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Financial asset	Fair value as at 30 September 2015 <i>HK\$'000</i> (unaudited)	Fair value hierarchy	Valuation technique and key input
Held-for-trading non-derivative financial assets	Listed equity securities in Hong Kong: 3,303	Level 1	Quoted bid prices in an active market.

There is no transfer between the different levels of the fair value hierarchy for the period.

25. PERFORMANCE BONDS AND CONTINGENT LIABILITIES

Certain customers of construction contracts undertaken by the Group require the group entities to issue guarantees for the performance of contract works in the form of performance bonds and secured either by other deposits and pledged bank deposits (notes 14 and 16) or corporate guarantee to bank for the issuance of performance bonds in its ordinary course of business. The performance bonds are released when the construction contracts are completed or substantially completed.

At the end of each reporting period, the Group had outstanding performance bonds as follows:

	30.9.2015 <i>HK\$'000</i> (Unaudited)	31.3.2015 <i>HK\$'000</i> (Audited)
Issued by the Group's banks	16,273	15,985
Issued by insurance institution	3,370	2,440
	19,643	18,425