

# Chun Sing Engineering Holdings Limited 震昇工程控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 2277

Interim Report  
**2016**



# CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance Report	8
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	12
Condensed Consolidated Statement of Financial Position	13
Condensed Consolidated Statement of Changes in Equity	14
Condensed Consolidated Statement of Cash Flows	15
Notes to the Condensed Consolidated Financial Statements	16



# CORPORATE INFORMATION

## DIRECTORS

### EXECUTIVE DIRECTORS

Mr. Leung Kam Chuen (*Chairman*)  
Mr. Kwan Wai Ming (*Chief Executive Officer*)  
Mr. Lo Ka Lung

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Kwok Yan, Wilfred  
Prof. Lam Sing Kwong, Simon  
Ms. Wong Fong

### COMPANY SECRETARY

Mr. Woo Yuen Fai

### AUDIT COMMITTEE

Mr. Cheung Kwok Yan, Wilfred (*Chairman*)  
Prof. Lam Sing Kwong, Simon  
Ms. Wong Fong

### REMUNERATION COMMITTEE

Prof. Lam Sing Kwong, Simon (*Chairman*)  
Mr. Kwan Wai Ming  
Ms. Wong Fong

### NOMINATION COMMITTEE

Mr. Leung Kam Chuen (*Chairman*)  
Mr. Cheung Kwok Yan, Wilfred  
Prof. Lam Sing Kwong, Simon

### REGISTERED OFFICE

Clifton House, 75 Fort Street,  
PO Box 1350, Grand Cayman KY1-1108,  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2307-08, 23/F,  
Elite Centre, 22 Hung To Road,  
Kwun Tong, Kowloon, Hong Kong

### LEGAL ADVISERS AS TO HONG KONG LAWS

Loong & Yeung

### COMPLIANCE ADVISER

Messis Capital Limited

### AUDITOR

SHINEWING (HK) CPA Limited

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.  
Clifton House, 75 Fort Street,  
PO Box 1350, Grand Cayman KY1-1108,  
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

### PRINCIPAL BANKER

The Hongkong and Shanghai Banking  
Corporation Limited

### STOCK CODE

2277

### WEBSITE

[www.cseng.com.hk](http://www.cseng.com.hk)

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND FINANCIAL REVIEW

Chun Sing Engineering Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in the foundation and substructure construction business in Hong Kong. The foundation and substructure construction services provided by us mainly include Excavation and lateral support (“ELS”) works, pile caps construction and substructure construction for residential, commercial and infrastructure projects.

### Revenue

During the six months ended 30 September 2015 (the “Reporting Period”), the Group had income generated from construction contracts and rental income from lease of machinery. Set out below is the breakdown of revenue of the Group during the six months ended 30 September 2015 and 2014.

	Six months ended 30 September	
	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Revenue from construction contracts	357,519	361,985
Rental income from lease of machinery	896	262
	<u>358,415</u>	<u>362,247</u>

### Revenue from construction contracts

Construction contract income is recognised based on the stage of completion. The stage of completion is established by reference to the construction works certified by our customers. The portion of total construction contract amount that is certified as having been completed in a period is recognised as revenue of our Group in the respective period.

For the six months ended 30 September 2015, there were 21 (six months ended 30 September 2014: 18) construction projects contributing approximately HK\$357,519,000 (six months ended 30 September 2014: HK\$361,985,000) to our revenue.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue from construction contracts – *continued*

Set out below is the breakdown of such projects based on their respective revenue recognised during the six months ended 30 September 2015 and 2014.

	Six months ended 30 September	
	2015	2014
	No. of project(s)	No. of project(s)
Revenue recognised		
HK\$100,000,001 to HK\$200,000,000	1	1
HK\$10,000,001 to below HK\$100,000,000	7	6
HK\$1,000,000 to below HK\$10,000,000	7	5
Below HK\$1,000,000	6	6
	<u>21</u>	<u>18</u>

### Rental income from lease of machinery

In addition to undertaking construction works, the Group also leased certain unutilised machineries on a short term basis to independent third parties during the six months ended 30 September 2015 and 2014.

### Gross Profit and Gross Profit Margin

The Group's gross profit decreased from approximately HK\$55,741,000 for the six months ended 30 September 2014 to approximately HK\$47,592,000 for the Reporting Period. Although the revenue of the Group was kept at a similar level, the gross profit margin dropped resulting in the reduction of gross profit. Under the situation of lack of labours in the market, the wages were inevitably inflated which led to the shrinking of margin.

### Administrative Expenses

The Group's general and administrative expenses decreased to approximately HK\$12,556,000 for the six months ended 30 September 2015 from approximately HK\$15,936,000 for the six months ended 30 September 2014, which represented a decrease of approximately 21.2%. Such decrease was largely the net off effect of 2 factors, i.e.: (1) no listing expense has been incurred in the current period but the counterpart period has been burdened by listing expenses of approximately HK\$5,876,000; and (2) the level of salary was raised for the current period in order to keep in line with the market.

### DEBTS AND CHARGE ON ASSETS

The total interest bearing debts of the Group as at 30 September 2015 were finance leases with a total of approximately HK\$15,726,000. All borrowings were denominated in Hong Kong dollar and were repayable within 5 years. Finance leases facilities were secured by the Group's plant and machinery with an aggregated net book value of approximately HK\$30,834,000 as at 30 September 2015.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2015, the Group had bank balances and cash of approximately HK\$83,212,000. During the Reporting Period, the Group financed its operation mainly with internally generated cash flow and proceeds from issuance of shares. The gearing ratio of the Group as at 30 September 2015 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 0.1 (31 March 2015: 0.1).

## TREASURY POLICY

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

## CAPITAL COMMITMENTS

The Group had no material capital commitments as at 30 September 2015.

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2015.

## IMPORTANT EVENTS

### Placing of Shares by Controlling Shareholder

On 30 July 2015, Golden Roc Holdings Limited ("Golden Roc"), the controlling shareholder of the Company entered into a placing agreement with Sino Wealth Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has agreed to, on a best endeavour basis, find placees to purchase 60,000,000 shares of the Company (the "Placing Shares") (representing approximately 5.83% of the issued share capital of the Company as at 30 July 2015) at the placing price (the "Placing Price") of HK\$1.3838 per share of the Company (the "Shares") (representing a discount of approximately 4.57% to the closing price of HK\$1.45 per Share on 30 July 2015) (the "Placing"). Completion of the Placing took place on 3 August 2015 ("Completion Date"). As confirmed by the Placing Agent, each of the placees of the Placing (and, where applicable, its ultimate beneficial owner) is a third party independent of the Company and its connected persons as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Immediately after the completion of the Placing, Golden Roc was interested in 712,500,000 Shares (representing approximately 69.17% of the then issued share capital) and remained to be the controlling shareholder of the Company. As confirmed by the Placing Agent, none of the placees of the Placing has become a substantial shareholder of the Company upon completion of the Placing.

For details of the Placing, please refer to the announcements of the Company dated 30 July 2015 and 3 August 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Sale of Shares by Controlling Shareholder

On 28 August 2015, Golden Roc sold 180,000,000 shares of the Company (the “Sale Shares”) at the consideration of HK\$1 per share (the “Sale”) to purchasers each of whom is a third party independent of the Company and its connected persons (as defined in the Listing Rules). The Sale Shares represent approximately 17.48% of the issued share capital of the Company as at 28 August 2015. Immediately following the Sale, Golden Roc is interested in approximately 51.70% of the issued share capital of the Company, and Mr. Leung Kam Chuen, Mr. Kwan Wai Ming and Golden Roc remain as controlling shareholders (as defined in the Listing Rules) of the Company. None of the purchasers of the Sale has become a substantial shareholder of the Company.

For details of the sale of shares by controlling shareholder, please refer to the announcement of the Company dated 28 August 2015.

### EVENTS AFTER THE REPORTING PERIOD

There are no other significant subsequent events since the end of the Reporting Period.

### EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2015, the Group had 223 staff. The total staff costs incurred by the Group for the Reporting Period were approximately HK\$42,796,000.

The salary and benefit levels of the employees of the Group are competitive. This is very important as the construction industry has been experiencing labour shortage in general. Individual performance of our employees is rewarded through the Group’s salary and bonus system. In addition, the Group provides adequate job training to employees in order to equip them with practical knowledge and skills to tackle situations and challenges encountered in a diverse range of working sites.

### INTERIM DIVIDEND

The Board did not recommend payment of an interim dividend to shareholders of the Company for the Reporting Period (six months ended 30 September 2014: Special dividends in aggregate of HK\$56,000,000).

## PROSPECTS

According to the 2015 Policy Address issued by the Hong Kong Government, public housing, private housing and land are critical areas to be addressed. As extracted from the Policy Address, it is expected that 20,000 units public rental housing in each year for the next decade and 14,600 flats each year in the next five years will be supplied in Hong Kong. The favorable government policies set favorable conditions for the development of the construction industry so that the demand of our foundation business is expected to increase in the foreseeable future.

We believe that we have several business strengths and competitive advantages that set us apart from our rivals and enable us to continue our growth and enhance our profitability. Such strengths and competitive advantages include (1) good reputation and well-established presence in foundation and substructure construction industry Hong Kong; (2) experienced management team; (3) possession of a range of updated machineries; and (4) long-term relationships with major customers.

In view of the above, there are positive prospects for our Group and it is expected that our business and revenue will continue to grow steadily in the foreseeable future.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## USE OF NET PROCEEDS FROM LISTING

The Company's shares have been listed on the Main Board of the Stock Exchange since 29 December 2014. The receipt of proceeds, net of listing expenses (including underwriting fee), including both recognised in the consolidated statement of profit or loss and other comprehensive income and deducted from the share premium ("net proceeds") from the Company's listing were approximately HK\$65,800,000. In accordance with the proposed applications set out in the section "Future Plans and Use of Proceeds" of the prospectus of the Company dated 15 December 2014 (the "Prospectus"), the net proceeds received were applied by the Group from the Listing Date up to 30 September 2015 follows:

Use of net proceeds	Planned use of proceeds as stated in the Prospectus HK\$ million	Actual use of proceeds from the listing date up to 30 September 2015 HK\$ million	Unused amount HK\$ million
Acquisition of additional machinery	40.0	29.0	11.0
Recruitment of additional staff	9.5	1.6	7.9
Repayment of finance leases	10.0	10.0	—
General working capital	6.3	6.3	—
<b>Total</b>	<b>65.8</b>	<b>46.9</b>	<b>18.9</b>

The unutilised amounts of the net proceeds will be applied in the manner consistent with that mentioned in the Prospectus.

The unused net proceeds have been placed as bank balances with licensed bank in Hong Kong.



# CORPORATE GOVERNANCE REPORT

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices. The Board has adopted the code provisions of the Corporate Governance Code (the “Code Provisions”) set out in Appendix 14 to the Listing Rules. The Company had complied with the Code Provisions throughout the Reporting Period.

## AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) consists of three independent non-executive Directors, namely Mr. Cheung Kwok Yan, Wilfred (as Chairman), Professor Lam Sing Kwong, Simon and Ms. Wong Fong. The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the financial reporting system, internal control procedures and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The unaudited condensed interim financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding dealing in securities of the Company by Directors on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiries to all the Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the code of conduct regarding securities transactions throughout the Reporting Period and up to the date of this interim report.

## DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND LONG POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2015, interests and long positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and long positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the

Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 to the Listing Rules are as follows:

(i) Long position in the Shares

Name of director	Capacity/Nature of interest	Number of Shares held	Approximate Shareholding Percentage
Mr. Leung Kam Chuen (“Mr. Leung”)	Interest in controlled corporation – Corporate Interest (Note 1)	532,500,000	51.70%
Mr. Kwan Wai Ming (“Mr. Kwan”)	Interest in controlled corporation – Corporate Interest (Note 2)	532,500,000	51.70%

Notes:

1. The 532,500,000 Shares are held by Golden Roc. Mr. Leung beneficially owns 55% of the entire issued share capital of Golden Roc and is deemed, or taken to be, interested in all our Shares held by Golden Roc for the purposes of the SFO. Mr. Leung is an executive Director and a director of Golden Roc.
2. The 532,500,000 Shares are held by Golden Roc. Mr. Kwan beneficially owns 45% of the entire issued share capital of Golden Roc and is deemed, or taken to be, interested in all our Shares held by Golden Roc for the purposes of the SFO. Mr. Kwan is an executive Director and a director of Golden Roc.

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

Name of director	Name of associated corporation	Capacity/Nature	Number of shares held	Percentage of shareholding
Mr. Leung	Golden Roc	Beneficial owner (Note)	55	55%
Mr. Kwan	Golden Roc	Beneficial owner (Note)	45	45%

Note: Mr. Leung and Mr. Kwan beneficially owns 55% and 45% of the entire issued share capital of Golden Roc respectively, and both of them are deemed or taken to be interested in all the shares in Golden Roc for the purposes of the SFO. Each of Mr. Leung and Mr. Kwan is an executive Director and a director of Golden Roc.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as is known to the Directors, as at 30 September 2015, the following persons (not being a Director or chief executive of the Company) had interests or short positions in shares, underlying shares and debentures of the Company 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 or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares held/ interested in	Percentage of shareholding
Golden Roc	Beneficial owner	532,500,000	51.70%
Ms. Ngai Luk Kan ("Ms. Ngai")	Interest of spouse (Note 1)	532,500,000	51.70%
Ms. Ho Suet Ha Rosanna ("Ms. Ho")	Interest of spouse (Note 2)	532,500,000	51.70%

Notes:

1. Ms. Ngai is the spouse of Mr. Leung. Accordingly, Ms. Ngai is deemed, or taken to be, interested in all our Shares in which Mr. Leung is interested for the purpose of the SFO.
2. Ms. Ho is the spouse of Mr. Kwan. Accordingly, Ms. Ho is deemed, or taken to be, interested in all our Shares in which Mr. Kwan is interested for the purpose of the SFO.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this interim report, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the Reporting Period or at any time during the Reporting Period.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

## SHARE OPTION SCHEME

Pursuant to the written resolutions of the then sole shareholder of the Company on 8 December 2014, the Company adopted a share option scheme (the "Scheme") to attract and retain the best available personnel, to provide additional incentive to employees (full-time or part-time), directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the Shares in issue upon the date on which the Shares are listed and permitted to be dealt in the Stock Exchange, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the

Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive directors, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved by the Company's shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK\$1 per option. Options may be exercised at any time during a period as the directors of the Company may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the directors of the Company, and will be at least the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The Scheme will remain in force for a period of ten years commencing on the adoption date (i.e. 8 December 2015) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting.

No share options were granted, exercised, cancelled or lapsed since the adoption date of the Scheme and there are no outstanding share options under the Share Option Scheme from the date of its adoption to the date of this interim report.

## **DIRECTORS'/CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS**

Save for transactions in connection with the corporate reorganisation (the "Reorganisation") in preparation for the listing of the Shares on the Stock Exchange, as disclosed in the prospectus and in the annual report of the Company dated 15 December 2014 and 28 July 2015 respectively, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent companies was a party and in which a director or controlling shareholders of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **ACKNOWLEDGEMENT**

On behalf of the Board, I would like to extend my gratitude and appreciation to the Board members, the management and our employees for their loyalty, continuous support and dedicated services.

By order of the Board  
 Chun Sing Engineering Holdings Limited  
 Leung Kam Chuen  
*Chairman*

Hong Kong, 20 November 2015

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

		Six months ended 30 September	
	Notes	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Revenue	4	358,415	362,247
Cost of services		(310,823)	(306,506)
Gross profit		47,592	55,741
Other income		1,584	1,506
Administrative expenses		(12,556)	(15,936)
Finance costs	6	(410)	(588)
Profit before taxation	7	36,210	40,723
Income tax expense	8	(6,069)	(7,721)
Profit and total comprehensive income for the period attributable to owners of the Company		<u>30,141</u>	<u>33,002</u>
Earnings per share (HK cents)			
– Basic and diluted	10	<u>2.9</u>	<u>3.7</u>



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

	Notes	30 September 2015 HK\$' 000 (Unaudited)	31 March 2015 HK\$' 000 (Audited)
<b>Non-current assets</b>			
Plant and equipment	11	92,842	82,678
<b>Current assets</b>			
Amounts due from customers for contract work	12	41,136	26,071
Trade and other receivables	13	171,006	141,941
Amounts due from related parties	18	—	293
Bank balances and cash		83,212	117,941
		<b>295,354</b>	<b>286,246</b>
<b>Current liabilities</b>			
Amounts due to customers for contract work	12	20,368	29,038
Trade and other payables	14	124,732	123,475
Amounts due to related parties	18	84	793
Tax payables		8,177	4,810
Obligations under finance leases	15	7,802	10,313
		<b>161,163</b>	<b>168,429</b>
<b>Net current assets</b>		<b>134,191</b>	<b>117,817</b>
<b>Total assets less current liabilities</b>		<b>227,033</b>	<b>200,495</b>
<b>Non-current liabilities</b>			
Obligations under finance leases	15	7,924	11,162
Deferred tax liabilities		6,380	6,745
		<b>14,304</b>	<b>17,907</b>
<b>Net assets</b>		<b>212,729</b>	<b>182,588</b>
<b>Capital and reserves</b>			
Share capital	16	10,300	10,300
Reserves		202,429	172,288
<b>Total equity</b>		<b>212,729</b>	<b>182,588</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Share capital HK\$' 000	Share premium HK\$' 000	Capital reserve HK\$' 000	Merger Reserve HK\$' 000	Retained earnings HK\$' 000	Total HK\$' 000
At 1 April 2014 (audited)	70	—	—	—	112,667	112,737
Profit and total comprehensive income for the period	—	—	—	—	33,002	33,002
Special dividend recognised as distribution (note 9)	—	—	—	—	(56,000)	(56,000)
At 30 September 2014 (unaudited)	<u>70</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>89,669</u>	<u>89,739</u>
At 1 April 2015 (audited)	10,300	150,524	7,164	(87,838)	102,438	182,588
Profit and total comprehensive income for the period	—	—	—	—	30,141	30,141
At 30 September 2015 (unaudited)	<u>10,300</u>	<u>150,524</u>	<u>7,164</u>	<u>(87,838)</u>	<u>132,579</u>	<u>212,729</u>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Six months ended 30 September	
	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Cash (used in) generated from operating activities	(1,837)	109,841
Tax paid	(3,066)	—
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(4,903)</b>	<b>109,841</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	(26,400)	(16,588)
Acquisition of investment in subsidiaries	—	(70)
Proceeds from disposal of plant and equipment	2,733	2,130
Repayment from related parties	—	14,109
Proceeds from disposal of investment properties	—	16,700
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(23,667)</b>	<b>16,281</b>
<b>FINANCING ACTIVITIES</b>		
Dividend paid	—	(56,000)
Repayments of bank borrowings	(5,000)	(27,800)
Capital element of finance lease rentals paid	(10,929)	(10,442)
Repayment to related parties	—	(13,916)
Interest element of finance lease rentals paid	(401)	(450)
Interest paid	(9)	(138)
New bank borrowings raised	5,000	12,000
Net proceeds from sale and lease back transactions	5,180	15,100
Proceeds from issue of shares	—	70
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(6,159)</b>	<b>(81,576)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(34,729)</b>	<b>44,546</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD</b>	<b>117,941</b>	<b>3,168</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD</b>	<b>83,212</b>	<b>47,714</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

The Company was incorporated in the Cayman Islands on 15 July 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board of the Stock Exchange on 29 December 2014.

The Company acts as an investment holding company and the principal activities of the Group are provisions of foundation and substructure construction services.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2015 have been prepared in accordance with the applicable disclosure provision of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical basis.

The condensed consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is also the functional currency of the Company.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2015, except as described below.

In the current year, the Group has applied, for the first time, the following new amendments to Hong Kong Financial Reporting Standard (“HKFRSs”) and HKAS issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2015.

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

The application of the new and revised HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated financial statements.

#### 4. REVENUE

Revenue represents revenue from construction contracts and rental income from lease of machinery and is analysed as follows:

	Six months ended 30 September	
	2015	2014
	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)
Revenue from construction contracts	357,519	361,985
Rental income from lease of machinery	896	262
	<u>358,415</u>	<u>362,247</u>

#### 5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors of the Company regards the Group's business as a single operating segment and reviews financial information accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

##### Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group are as follows:

	Six months ended 30 September	
	2015	2014
	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)
Customer A	210,247	147,866
Customer B	65,821	97,174
Customer C	42,515	75,367



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6. FINANCE COSTS

	Six months ended 30 September	
	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Interest on:		
– Bank borrowings and overdrafts	9	138
– Finance leases	401	450
	410	588
	410	588

### 7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 September	
	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Depreciation in respect of investment properties	—	84
Depreciation in respect of plant and equipment		
– assets held under finance leases	4,403	4,609
– owned assets	10,277	6,018
	14,680	10,711
Gain on disposals of plant and equipment	(1,177)	(834)
Gain on disposal of investment properties	—	(291)
Minimum lease payments under operating leases in respect of:		
– machinery	508	327
– land and buildings	1,565	1,456
	2,073	1,783
Listing expenses (included in administrative expenses)	—	5,876
	2,073	1,783

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Current income tax – Hong Kong:		
Provision for the period	6,433	7,567
Deferred income (credit)/tax	(364)	154
	<u>6,069</u>	<u>7,721</u>

9. DIVIDEND

No dividend was paid or proposed by the Company during the Reporting Period, nor has any dividend been proposed since the end of the six months ended 30 September 2015.

During the six months ended 30 September 2014, the Company's subsidiaries declared and paid special dividends in aggregate of HK\$56,000,000 to its then shareholders.

10. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share	<u>30,141</u>	<u>33,002</u>

	Six months ended 30 September	
	2015 ' 000 (Unaudited)	2014 ' 000 (Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,030,000</u>	<u>901,250</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 10. EARNINGS PER SHARE – *continued*

The diluted earnings per share are equal to the basic earnings per share as there were no dilutive potential ordinary shares during the six months ended 30 September 2015 and 2014.

The weighted average number of ordinary share in issue during the Reporting Period represents 1,030,000,000 ordinary shares in issue during the six months ended 30 September 2015.

The weighted average number of ordinary share in issue during the six months ended 30 September 2014 represents 901,250,000 ordinary shares (notes 16 (a) and (c)) issued as part of common control combination as if such shares were issued on 1 April 2014.

### 11. PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired approximately HK\$26,400,000 (six months ended 30 September 2014: HK\$31,191,000) of plant and equipment. Approximately HK\$2,029,000 of assets acquired during the six months ended 30 September 2014 was acquired under finance lease (six months ended 30 September 2015: nil).

Plant and equipment with a net carrying amount of approximately HK\$1,556,000 (six months ended 30 September 2014: HK\$1,296,000) were disposed of by the Group during the Reporting Period, resulting in a net gain on disposal of approximately HK\$1,177,000 (six months ended 30 September 2014: HK\$834,000).

### 12. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	30 September 2015 HK\$' 000 (Unaudited)	31 March 2015 HK\$' 000 (Audited)
<b>Contracts in progress at the end of the reporting period</b>		
Contract costs incurred plus recognised profits less recognised losses	1,798,027	1,232,836
Less: progress billings	<u>(1,777,259)</u>	<u>(1,235,803)</u>
	<u>20,768</u>	<u>(2,967)</u>
<b>Analysed for reporting purposes as:</b>		
Amounts due from customers for contract work	41,136	26,071
Amounts due to customers for contract work	<u>(20,368)</u>	<u>(29,038)</u>
	<u>20,768</u>	<u>(2,967)</u>

### 13. TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables at the end of the reporting period:

	30 September 2015 HK\$' 000 (Unaudited)	31 March 2015 HK\$' 000 (Audited)
Trade receivables	90,398	72,568
Deposits, prepayments and other receivables	2,436	2,336
Retention money receivables	78,172	67,037
Trade and other receivables	<u>171,006</u>	<u>141,941</u>

Trade receivables are normally due within 42 days from the date of billing. The following is an aged analysis of trade receivables, presented based on the invoice date (or date of revenue recognition, if earlier) at the end of the reporting period:

	30 September 2015 HK\$' 000 (Unaudited)	31 March 2015 HK\$' 000 (Audited)
Within 1 month	60,254	57,569
1 to 2 months	30,091	14,946
Over 3 months	53	53
	<u>90,398</u>	<u>72,568</u>

As at 30 September 2015 and 31 March 2015, none of the trade receivables was individually determined to be impaired.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 14. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables at the end of the reporting period:

	30 September 2015 HK\$' 000 (Unaudited)	31 March 2015 HK\$' 000 (Audited)
Trade payables	89,339	95,754
Retention money payables	22,625	17,481
Other payables and accruals	12,768	10,240
Trade and other payables	<u>124,732</u>	<u>123,475</u>

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

	30 September 2015 HK\$' 000 (Unaudited)	31 March 2015 HK\$' 000 (Audited)
Within 1 months	79,412	66,716
1 to 3 months	7,215	25,266
3 to 6 months	245	1,500
Over 6 months	2,467	2,272
	<u>89,339</u>	<u>95,754</u>

The average credit period granted to the Group is 0 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

### 15. OBLIGATIONS UNDER FINANCE LEASES

	30 September 2015 HK\$' 000 (Unaudited)	31 March 2015 HK\$' 000 (Audited)
Analysed for reporting purposes as:		
Current liabilities	7,802	10,313
Non-current liabilities	7,924	11,162
	<u>15,726</u>	<u>21,475</u>



15. OBLIGATIONS UNDER FINANCE LEASES – *continued*

It is the Group's policy to lease certain of its machinery and motor vehicles under finance leases. As at 30 September 2015, the lease term ranges from 3 to 4 years (31 March 2015: 3 to 5 years). As at 30 September 2015, interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.8% to 4.8% per annum (31 March 2015: 2.8% to 8.7% per annum).

	Minimum lease payments		Present value of minimum lease payments	
	30 September 2015 HK\$' 000 (Unaudited)	31 March 2015 HK\$' 000 (Audited)	30 September 2015 HK\$' 000 (Unaudited)	31 March 2015 HK\$' 000 (Audited)
Analysed for reporting purposes as:				
Within one year	8,206	10,879	7,802	10,313
After one year but within two years	5,013	7,993	4,820	7,827
After two years but within five years	3,157	3,510	3,104	3,335
	<u>16,376</u>	<u>22,382</u>	<u>15,726</u>	<u>21,475</u>
Less: future finance charges	(650)	(907)	N/A	N/A
Present value of lease obligations	<u>15,726</u>	<u>21,475</u>	<u>15,726</u>	<u>21,475</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(7,802)</u>	<u>(10,313)</u>
Amount due for settlement after 12 months			<u>7,924</u>	<u>11,162</u>

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

As at 30 September 2015, finance leases of approximately HK\$15,726,000 (31 March 2015: HK\$21,475,000) were secured by the corporate guarantee issued by the Company.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. SHARE CAPITAL

	Notes	Number of ordinary shares	Nominal value of ordinary shares HK\$'000
Ordinary shares of HK\$0.01 each			
<i>Authorised:</i>			
At 15 July 2014 (date of incorporation)	(a)	38,000,000	380
Increase in the year	(b)	<u>1,962,000,000</u>	<u>19,620</u>
At 31 March 2015 and 30 September 2015		<u><u>2,000,000,000</u></u>	<u><u>20,000</u></u>
<i>Issued and fully paid:</i>			
Shares issued upon incorporation	(a)	1	—
Shares issued on Reorganisation	(c)	901,249,999	9,013
Shares issued under share offer	(d)	<u>128,750,000</u>	<u>1,287</u>
At 31 March 2015 and 30 September 2015		<u><u>1,030,000,000</u></u>	<u><u>10,300</u></u>

Notes:

- (a) Upon incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. One share was allotted and issued nil-paid to the subscriber on 15 July 2014, which was then transferred to Golden Roc on the same date.
- (b) On 5 December 2014, the then sole shareholder resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares, each ranking pari passu with the shares then in issue in all respects.
- (c) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Bojin International Limited and Eternity Sail Limited from Golden Roc, on 5 December 2014, (i) the one nil-paid share then held by Golden Roc was credited as fully paid at par, and (ii) 901,249,999 shares, all credited as fully paid at par, were allotted and issued to Golden Roc.
- (d) On 24 December 2014, 128,750,000 ordinary shares of HK\$0.01 each were issued to the public at a price of HK\$0.6 per share for cash totalling approximately HK\$77,250,000 by way of share offer. The excess of the issue price over the par value of the shares, net of share issue expenses of approximately HK\$4,264,000, were credited to the share premium account of the Company.

All shares issued rank pari passu in all respects with all shares then in issue.

## 17. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the written resolutions of the then sole shareholder of the Company on 8 December 2014, the Company adopted the Scheme to attract and retain the best available personnel, to provide additional incentive to employees (full-time or part-time), directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue upon the date on which the Shares are listed and permitted to be dealt in the Stock Exchange, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK\$1 per option. Options may be exercised at any time during a period as the directors of the Company may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the directors of the Company, and will be at least the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share on the date of offer.

No share options were granted since the adoption of the Scheme and there are no outstanding share options at the end of each reporting period.

## 18. RELATED PARTY TRANSACTIONS

(a) During the period, the Directors are of the view that the following are related parties of the Group:

Name of party	Relationships
Mr. Leung	Shareholder and director
Mr. Kwan	Shareholder and director
Mr. Leung Chun Sing	Son of Mr. Leung
Ms. Leung Pui Lam	Daughter of Mr. Leung
Chun Sing Civil Engineering Company Limited	55% and 45% owned by Mr. Leung and Mr. Kwan respectively
Fortune Famous Engineering (Transportation) Company Limited	55% and 45% owned by Mr. Leung and Mr. Kwan respectively
Hongkong Gold Gate Enterprise Limited	55% and 45% owned by Mr. Leung and Mr. Kwan respectively
Able Joy Limited	100% owned by Ms. Ho, spouse of Mr. Kwan

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 18. RELATED PARTY TRANSACTIONS – *continued*

(b) During the period, the Group entered into the following transactions with related parties:

	Notes	Six months ended 30 September	
		2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Sales of investment properties to			
– Mr. Leung Chun Sing and Ms. Leung Pui Lam	(i)	—	1,700
– Mr. Leung and Mr. Kwan	(i)	—	15,000
Recharge of office rent, rates and management fee from			
– Chun Sing Civil Engineering Company Limited	(ii)	—	68
Lease of motor vehicles from			
– Fortune Famous Engineering (Transportation) Company Limited	(ii)	270	164
– Hongkong Gold Gate Enterprise Limited	(ii)	234	163
Lease of director's quarter from			
– Able Joy Limited	(ii)	—	30
		<u>          </u>	<u>          </u>

The related party transactions in respect of (i) above constitute connected transactions and the disclosures required by Chapter 14A of the Listing Rules, details of which are provided in the “Report of the Directors” section of the 2015 annual report of the Company.

The related party transactions in respect of (ii) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 18. RELATED PARTY TRANSACTIONS – *continued*

- (c) The information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of a controlled body corporate of Mr. Leung and Mr. Kwan are as follow:

	Maximum amount outstanding during the period/year		Amounts due from related parties		Amounts due to related parties	
	30 September 2015 HK\$' 000 (Unaudited)	31 March 2015 HK\$' 000 (Audited)	30 September 2015 HK\$' 000 (Unaudited)	31 March 2015 HK\$' 000 (Audited)	30 September 2015 HK\$' 000 (Unaudited)	31 March 2015 HK\$' 000 (Audited)
Fortune Famous Engineering (Transportation) Company Limited	N/A	N/A	—	—	45	552
Hongkong Gold Gate Enterprise Limited	293	320	—	293	39	241
			—	293	84	793

The amounts due from/to related parties are unsecured, interest free and repayable on demand.

- (d) Compensation of key management personnel

The remunerations of the directors of the Company and other members of key management during both periods are as follows:

	Six months ended 30 September	
	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Short-term benefits	3,037	2,200
Post-employment benefits	45	27
	3,082	2,227



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 19. MAJOR NON-CASH TRANSACTIONS

- (i) During the six months ended 30 September 2014, the Group entered into finance lease agreements in respect of plant and equipment with a total capital value at the inception of the leases of approximately HK\$2,029,000 (30 September 2015: nil).
- (ii) During the six months ended 30 September 2014, the Group acquired a machinery with cost of approximately HK\$2,750,000 (30 September 2015: nil) which was settled by cash of approximately HK\$1,550,000 (30 September 2015: nil) and trade-in-value of a machinery disposed of at approximately HK\$1,200,000 (30 September 2015: nil).

### 20. COMMITMENTS

	30 September 2015 HK\$' 000 (Unaudited)	31 March 2015 HK\$' 000 (Audited)
Capital commitments for acquisition of plant and equipment contracted for but not provided for in the condensed consolidated financial statements	<u>2,760</u>	<u>—</u>