

SAM WOO CONSTRUCTION GROUP LIMITED

三和建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code : 3822)



INTERIM REPORT 2016/17



CONTENTS

	<i>Page</i>
Management Discussion and Analysis	3
Other Information	9
Condensed Consolidated Interim Statement of Comprehensive Income	12
Condensed Consolidated Interim Balance Sheet	13
Condensed Consolidated Interim Statement of Changes in Equity	15
Condensed Consolidated Interim Statement of Cash Flows	16
Notes to the Condensed Consolidated Interim Financial Information	18

The board of directors (the “Board”) of Sam Woo Construction Group Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2016 (the “Period”), together with the comparative figures for the corresponding period in 2015 (the “Previous Period”). These information should be read in conjunction with the annual financial statements for the year ended 31 March 2016.

HIGHLIGHTS

	1H 2016/17	1H 2015/16
Revenue	HK\$479 million	HK\$540 million
Profit for the period	HK\$31 million	HK\$104 million
Earnings per share (<i>note</i>)	1.84 HK cents	6.35 HK cents
Interim dividend (<i>note</i>)	0.5 HK cents	1.25 HK cents
	30 September 2016	31 March 2016
Net gearing	0%	13%
Current ratio	1.6x	1.7x
Total equity	HK\$656 million	HK\$655 million
Aggregate value of major contracts on hand	about HK\$1,270 million yet to complete	

Note:

For comparative purpose, earnings per share and interim dividend for the Previous Period were restated as if the share subdivision of HK\$0.01 each into 4 shares of HK\$0.0025 each effective in December 2015 were taken place on 1 April 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Group Revenue and Profit

The Group's revenue and profit for the Period decreased 11% and 70% to HK\$479 million and HK\$31 million, respectively (2015: HK\$540 million and HK\$104 million, respectively). The decrease was mainly due to a drop in contract revenue and decline in the overall profit margin of the projects undertaken by the Group as compared with those projects in the Previous Period.

The gross profit margin for the Period was 12% (2015: 23%). As disclosed in the annual results and annual report of the Group published for the year ended 31 March 2016 (the "Annual Report"), despite the relatively large contract size of the Hospital Expansion project, more than half of the contract value was related to non-bored pile works, which were subcontracted out and the margin of these subcontracting works was relatively low. Besides, the Group was unable to secure a new contract over the past twelve months which affected the utilisation of the foundation equipment and workforce that had been returned from Macau to Hong Kong after the completion of the Composite Development Project at the end of 2015. In addition, the overall profit of the Group was further suppressed by the overhead costs related to equipment depreciation and labour.

Major Projects during the Period

	As at 30 September 2016 Completion Status	Expected Completion Date	Estimated Remaining Contract Value (HK\$)
Proposed Commercial/Residential Development in Wong Tai Sin District	Around 30%	2017/18	95 million
Liantang/Heung Yuen Wai Boundary Control Point	Around 95%	2016/17	25 million
Hospital Expansion	Around 20%	2019	1,150 million

(Note)

Note: The above remaining contract values were determined with reference to internal estimates based on the currently available information, and may be subsequently revised.

Proposed Commercial/Residential Development in Wong Tai Sin District

As mentioned in the Annual Report, certain technical complications in the first phase of the project had required the employer to re-design and re-schedule part of the works. As a result, there was only minimal amount of contract works carried out during the Period. The remaining two-thirds of the works is expected to be completed by the end of 2017.

Liantang/Heung Yuen Wai Boundary Control Point

A substantial portion of this project has been completed during the Period. This project has contributed about 66% of the Group's revenue in the Period. According to the latest works programme, the remaining small portion of this project requires another half year or more to be completed which will be around the end of this financial year. As mentioned in the Annual Report, subsequent changes have been made to the design plans while the Group had already started working on the construction sites. Based on the updated information available, the value of this contract is expected to increase to about HK\$500 million.

Hospital Expansion

This project contributed about 32% of the Group's revenue during the Period. The works carried out during the Period comprised primarily the preparatory work of the project and demolition of existing buildings. While the bore piling works are to commence in the second half of this financial year, the Group's has planned and mobilised its labour force and equipment at the construction site accordingly.

Business Outlook and Recent Development

As discussed in the Annual Report, the delays in funding approval of public works and infrastructure projects caused by filibusters in Hong Kong's Legislative Council have contributed towards intense price competition for tenders in the construction market. Furthermore, the number of tenders available for the Group to compete for has been limited. The management is mindful of the market conditions going forward and is considering to scale-down its workforce if the outlook and timetable for the launch of those major commercial and public infrastructure projects in the pipeline as discussed in the Annual Report remain uncertain in the near future.

The Group is actively exploring options to diversify its income stream to compensate the impact associated with the downturn in public and large-scale construction tenders pipeline. The Group is evaluating opportunities in the property investment or property development sector. This enables the Group to broaden its business spectrum and source of profits. On the other hand, the Group can leverage its expertise, skills and experience to participate in the construction works in those investment projects which would help improve its revenue and profits as a contractor as well.

Memorandum of Understanding in respect of Possible Investment and Connected Transaction

Subsequent to the end of the Period, a wholly-owned subsidiary of the Company named Sam Woo Asia Development Group Limited, entered into a memorandum of understanding (the "MOU") with Gold Champion Enterprises Limited ("Gold Champion") on 20 October 2016, with a view to explore co-operation for the development of certain land parcels in Hong Kong held by subsidiaries of Gold Champion (the "Possible Transaction"). The co-operation may include but would not be limited to investment by the Company in Ga Fun Holdings Limited (together with its subsidiaries, "Ga Fun Group"), a subsidiary of Gold Champion.

As at the date of the MOU, Ga Fun Group owned residential and industrial land parcels in Hong Kong with an aggregate land area of about 15,000 square metres. Each of Gold Champion and Ga Fun Group is wholly-owned by Mr. Lau Chun Ming, the chairman and an executive director of the Company. The MOU has allowed 180 days for the Group to conduct due diligence, including a feasibility study on land development, and to negotiate and enter into a definitive and binding agreement in relation to the Possible Transaction.

So far as the Company understands from Gold Champion, Ga Fun Group owns two land parcels in Yuen Long in the Residential (Group D) and Residential (Group E) land zone categories (the "Residential Lands"), respectively, and one land parcel in Fanling in the Industrial (Group D) land zone category (the "Industrial Land"). The total area of the Residential Lands was about 13,500 square metres and that of the Industrial Land was about 1,700 square metres. Through the due diligence exercise, the Company also intends to evaluate the potential value of development on these land parcels and assess the relevant investment costs. The Company wishes to explore viable property development projects whereby it can participate as a developer in residential and commercial properties.

As at the date of this report, no binding agreement had been entered into in relation to the above. For details of the MOU, please refer to the Company's announcement dated 20 October 2016.

FINANCIAL REVIEW AND ANALYSIS

Despite the decrease in revenue and profit for the Period as discussed above, the Group's financial position remains healthy. The current ratio was 1.6 times (31 March 2016: 1.7 times) which has remained stable and the total cash and bank balance was approximately HK\$411 million (31 March 2016: HK\$221 million). The net gearing was 0% (31 March 2016: 13%) as the Group had a net cash position as at 30 September 2016. The Group has also maintained a stable dividend payout ratio which was about 27% for the Period.

Administrative Expenses

Administrative expenses increased 38% from approximately HK\$15 million to approximately HK\$21 million. As certain litigations were concluded and the related costs and provision were recovered and written back during the Previous Period, that effect had set off partly the administrative expenses in the Previous Period. If legal and professional fees were excluded in both periods, the administrative expenses would have increased for about 16% mainly due to the increase in salaries expenses and operating lease rental in respect of storage premises.

Finance Cost

Finance cost for the Period was approximately HK\$5.2 million, representing a decrease of approximately 9% compared with approximately HK\$5.7 million in the Previous Period. This is mainly attributable to the reduction in short-term bank loans while the Group has sufficient working capital generated internally to meet the needs of the current construction projects.

Taxation

The effective tax rate of the income tax expense for the period is 8% (2015: 3%). Unlike the Previous Period, about 99% of the construction revenue in the Period was generated from Hong Kong projects whereas the assessable profit is subject to 16.5% tax rate in Hong Kong. The lower effective tax rate in the Previous Period was resulted mainly because (i) about 93% of the construction revenue was generated from the Macau project and the statutory tax rate there was lower than in Hong Kong; and (ii) there was rental income earned by subsidiaries in Hong Kong in relation to the leasing of machinery and equipment for use in Macau projects which was regarded as offshore income and therefore not subjected to taxation in Hong Kong and Macau.

Profit and Net Profit Margin

As a result, the Group's profit after tax was approximately HK\$31 million (2015: HK\$104 million), representing a year-on-year decrease of approximately 70%. Net profit margin was 6% (2015: 19%).

Capital Expenditures and Capital Commitments

The Group generally finances its capital expenditures by internally-generated resources, long-term bank loans and finance leases. Upon our listing, the capital contribution from the Company's shareholders became an additional source of finance. During the Period, the Group invested approximately HK\$8 million in the expansion of its machinery and equipment and placed certain purchase orders for machinery and equipment in response to the anticipated project needs in future. As at 30 September 2016, the Group's capital commitments relating to the purchase of machinery and equipment was approximately HK\$43 million (31 March 2016: HK\$4 million).

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

Liquidity, Financial Resources and Gearing

Liquidity

The Group generally meets its working capital requirements by cash flows generated from its operations and short-term borrowings. During the Period, the Group generated from operating activities a net cash inflow of approximately HK\$233 million, which was more than that in the Previous Period (2015: HK\$68 million). This was mainly because the trade receivables of about HK\$193 million outstanding at 31 March 2016 were collected during the Period. Together with short-term bank loans and overdrafts facilities available, the Group has been financially sound in its daily operations throughout the Period.

Use of Proceeds

Among the remaining net proceeds from the IPO in the amount of HK\$52 million as at 31 March 2016, approximately HK\$8 million was applied in acquiring machinery and equipment during the Period in accordance with the intended use. The remaining net proceeds of approximately HK\$44 million from the IPO as at 30 September 2016 is intended for financing acquisition of machinery and equipment in the future.

Cash and Bank Balances

As at 30 September 2016, the Group had a total cash and bank balances of approximately HK\$411 million (31 March 2016: HK\$221 million) mainly denominated in Hong Kong dollars and Macau patacas. The increase in cash and bank balances was mainly due to the net cash generated from operating activities during the Period.

Borrowings

As at 30 September 2016, the Group had total borrowings of approximately HK\$253 million (31 March 2016: HK\$288 million) denominated in either Hong Kong dollars or Euros. Borrowings generally include short-term and long-term bank loans, finance leases and overdrafts bearing floating interest rates. Of the total borrowings, approximately HK\$36 million (31 March 2016: HK\$36 million) were short-term bank loans and bank overdrafts and approximately HK\$105 million (31 March 2016: HK\$118 million) was the current portion of long-term bank loans and obligations under finance lease with maturity dates within 12 months. This analysis excludes those long term borrowings with an immediate demand clause that were classified under current liabilities.

Gearing Ratio and Total Equity

As at 30 September 2016, the Group's net gearing ratio (net borrowings divided by total equity) was 0% (31 March 2016: 13%) as the Group had a net cash position. The Group's net cash position was mainly attributable to the profits from operations and the reduction in capital expenditure for machinery and equipment. For the purpose of calculating the Group's net gearing ratio, the net borrowings refer to the total borrowings less cash and cash equivalents, short-term bank deposits and restricted bank balances pledged as the security for credit facilities of the Group.

As at 30 September 2016, the Group's net current assets were approximately HK\$224 million (31 March 2016: HK\$232 million) and current ratio (current assets divided by current liabilities) was 1.6 times (31 March 2016: 1.7 times). The Group's total equity as at 30 September 2016 was approximately HK\$656 million (31 March 2016: HK\$655 million).

Foreign Exchange Exposure

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

Contingent Liabilities

As at 30 September 2016, save for guarantees of performance bonds relating to two foundation works and ancillary services projects of the Group of approximately HK\$18 million and HK\$17 million, respectively (31 March 2016: same), the Group did not have any material contingent liabilities. The performance bonds are expected to be released in accordance with the terms of the respective construction contracts.

Pledge of Assets

As at 30 September 2016, the net book amount of plant and equipment held under finance leases and pledged for long term bank loans amounted to approximately HK\$207 million (31 March 2016: HK\$210 million) and approximately HK\$174 million (31 March 2016: HK\$139 million), respectively. None of the banking facilities of the Group were secured by the Group's bank deposits (31 March 2016: none).

HUMAN RESOURCES

As at 30 September 2016, the Group had around 259 employees. The remuneration package we offer to our employees includes salary, discretionary bonuses and allowances. In general, we determine employee salaries based on the individual's qualifications, position and performance (where applicable).

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board of Directors declared an interim dividend of HK0.5 cent per share, amounting to HK\$8.4 million, representing a dividend ratio of approximately 27%. These interim dividends are payable to shareholders whose names appear on the register of members of the Company as at the close of business on 13 December 2016. It is expected that interim dividend will be paid on or about 30 December 2016.

In order to establish entitlements to the interim dividend, the register of members of the Company will be closed on Tuesday, 13 December 2016, on which no transfer of share of the Company will be registered. All transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 12 December 2016.

OTHER INFORMATION

Disclosure of Interests

At 30 September 2016, the interests and short positions of directors in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, are as follows:

(a) Directors' interest in the Company:

Name of director	Number of ordinary shares of HK\$0.0025 each (long position)	Percentage of shareholding	Capacity
Mr. Lau Chun Ming	1,200,000,000	71.43%	Founder of a discretionary trust
Ms. Leung Lai So	1,200,000,000	71.43%	Beneficiary of a discretionary trust

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

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

So far as the directors are aware, as at 30 September 2016 the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

(c) Substantial shareholders' interests in the Company

Name of shareholder	Number of shares (long position)	Percentage of shareholding	Capacity
Actiease Assets Limited	1,200,000,000	71.43%	Beneficial owner
Silver Bright Holdings Limited	1,200,000,000	71.43%	Interest of a controlled corporation
Managecorp Limited as trustee of a unit trust	1,200,000,000	71.43%	Trustee
Nautilus Trustees Asia Limited	1,200,000,000	71.43%	Trustee
RAYS Capital Partners Limited	151,156,000	8.99%	Investment manager
Ruan David Ching-Chi	151,156,000	8.99%	Interest of a controlled corporation
Yip Yok Tak Amy	151,156,000	8.99%	Interest of a controlled corporation
Asian Equity Special Opportunities Portfolio Master Fund Limited	122,296,000	7.28%	Beneficial owner

Notes:

- 1,200,000,000 shares were held by Actiease Assets Limited, a company wholly owned by Silver Bright Holdings Limited which is indirectly owned by a discretionary trust of which Ms. Leung Lai So is the beneficiary.
- Silver Bright Holdings Limited is 100% held by Managecorp Limited as trustee of a unit trust, of which issued units are 100% held by Nautilus Trustees Asia Limited as trustee of a discretionary trust set up by Mr. Lau Chun Ming.

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

Purchase, Sale or Redemption of Listed Securities

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

Corporate Governance

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

Model Code of Securities Transactions by Directors

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

Audit Committee

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

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

Hong Kong, 29 November 2016

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Note	Unaudited	
		2016	2015
		HK\$'000	HK\$'000
Revenue	5	478,503	540,036
Cost of sales	6	(419,881)	(413,888)
Gross profit		58,622	126,148
Other income and gain, net		85	225
Administrative expenses	6	(20,908)	(15,147)
Operating profit		37,799	111,226
Finance income	7	939	1,509
Finance costs	7	(5,217)	(5,742)
Finance costs, net	7	(4,278)	(4,233)
Profit before income tax		33,521	106,993
Income tax expense	8	(2,691)	(3,305)
Profit and total comprehensive income for the period		30,830	103,688
Profit and total comprehensive income attributable to equity holders of the Company		30,830	103,688
			(Restated)
Basic and diluted earnings per share (HK cents)	9	1.84	6.35

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 SEPTEMBER 2016

		Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Plant and equipment	11	599,553	605,566
Deferred income tax assets		605	131
Deposits and prepayments		4,809	2,617
		<hr/> 604,967 <hr/>	<hr/> 608,314 <hr/>
Current assets			
Trade and retention receivables	12	176,212	295,954
Deposits, prepayments and other receivables		1,399	592
Amounts due from customers for contract work	13	20,341	28,562
Income tax recoverable		116	116
Restricted bank balances	14	20,713	20,559
Short term bank deposit		-	17,797
Cash and cash equivalents (excluding bank overdraft)		390,073	183,060
		<hr/> 608,854 <hr/>	<hr/> 546,640 <hr/>
Total assets		<hr/> 1,213,821 <hr/>	<hr/> 1,154,954 <hr/>
EQUITY			
Capital and reserves			
Share capital	15	4,200	4,200
Reserves		652,281	650,851
Total equity		<hr/> 656,481 <hr/>	<hr/> 655,051 <hr/>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	18	105,979	120,873
Deferred income tax liabilities		45,928	43,782
Amount due to a director		20,713	20,559
		<hr/> 172,620 <hr/>	<hr/> 185,214 <hr/>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30 SEPTEMBER 2016

		Unaudited	Audited
		30 September	31 March
		2016	2016
<i>Note</i>		HK\$'000	HK\$'000
Current liabilities			
Trade and retention payables	16	75,240	87,307
Accruals and other payables	17	40,683	16,298
Amounts due to customers for contract work	13	107,594	28,672
Borrowings	18	146,728	167,444
Income tax payable		14,475	14,968
		<hr/> 384,720	<hr/> 314,689
Total liabilities		<hr/> 557,340	<hr/> 499,903
Total equity and liabilities		<hr/> 1,213,821	<hr/> 1,154,954

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Unaudited				
	Share capital	Share premium	Other reserves	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015	4,000	135,893	10,500	377,387	527,780
Comprehensive income					
Profit for the period	-	-	-	103,688	103,688
Contribution by and distribution to owners					
Issuance of placement shares (<i>note 15</i>)	200	58,194	-	-	58,394
Dividends relating to the year ended 31 March 2015 (<i>note 10</i>)	-	-	-	(63,000)	(63,000)
At 30 September 2015	4,200	194,087	10,500	418,075	626,862
At 1 April 2016	4,200	194,087	10,500	446,264	655,051
Comprehensive income					
Profit for the period	-	-	-	30,830	30,830
Contribution by and distribution to owners					
Dividends relating to the year ended 31 March 2016 (<i>note 10</i>)	-	-	-	(29,400)	(29,400)
At 30 September 2016	4,200	194,087	10,500	447,694	656,481

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

		Unaudited	
		Six months ended	
		30 September	
		2016	2015
Note		HK\$'000	HK\$'000
Cash flows from operating activities			
	Net cash generated from operations	238,785	73,324
	Interest paid	(3,104)	(3,732)
	Interest received	939	1,509
7	Interest element of finance lease payments	(1,959)	(1,781)
14	Increase in restricted bank balances	(154)	(389)
	Hong Kong profits tax paid	(1,512)	(676)
	Net cash generated from operating activities	232,995	68,255
Cash flows from investing activities			
	Purchase of plant and equipment	(7,889)	(19,022)
	Proceeds from sales of plant and equipment	14	–
	Decrease in short-term bank deposits	17,797	8,000
	Net cash generated from/(used in) investing activities	9,922	(11,022)
Cash flows from financing activities			
	Capital element of finance lease payments	(23,741)	(20,482)
	Drawdown of long-term bank loans	30,585	48,900
	Repayment of long-term bank loans	(42,745)	(25,392)
	Drawdown of short-term bank loans	–	149,039
	Repayment of short-term bank loans	–	(153,316)
14	Decrease in restricted bank balances	–	17,460
	Proceeds from issuance of placement shares	–	60,200
	Share issuance costs	–	(1,806)
	Net cash (used in)/generated from financing activities	(35,901)	74,603

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Net increase in cash and cash equivalents	207,016	131,836
Cash and cash equivalents at beginning of the period	183,057	177,061
Cash and cash equivalents at end of the period	390,073	308,897
Analysis of cash and cash equivalents		
Cash and cash equivalents	390,073	308,897

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information and key events

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

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

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated and was approved for issue on 29 November 2016.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation and accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2016 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and has been prepared under the historical cost convention.

2.2 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2016, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ended 31 March 2016 are not expected to have a material impact on the Group.

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

3 Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 March 2016.

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

4 Critical accounting estimates and judgements

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the critical accounting estimates and judgements applied were consistent with those described in the annual financial statements for the year ended 31 March 2016.

5 Revenue and segment information

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

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Foundation works and ancillary services	478,503	540,036

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

6 Expenses by nature

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Cost of sales		
Construction contracts costs (<i>note (a)</i>)	400,464	401,360
Depreciation	13,942	7,755
Repair and maintenance	5,233	3,469
Others	242	1,304
	419,881	413,888
Administrative expenses		
Depreciation	254	227
Operating leases rental in respect of		
– Office premises and storage premises	3,533	2,483
– Directors' quarters	1,084	1,084
Professional fees	2,256	(973)
Staff costs, including directors' emoluments (<i>note (b)</i>)	9,151	7,794
Others	4,630	4,532
	20,908	15,147
Total cost of sales and administrative expenses	440,789	429,035

Notes:

- (a) Construction contract costs included but not limited to costs of construction materials, staff costs (refer to note (b) below), consultancy fee, parts and consumables, subcontracting charges and transportation.
- (b) Total staff cost **65,041** 95,926
Less: amount included in construction contracts costs or capitalised in work-in progress **(55,890)** (88,132)
- 9,151** 7,794

7 Finance income and costs

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Finance income:		
– Interest income on bank deposits	939	1,509
Finance costs:		
– Interest expense on bank loans	(3,104)	(3,732)
– Interest expense on obligations under finance leases	(1,959)	(1,781)
– Interest expense on amount due to a director	(154)	(229)
	(5,217)	(5,742)
Finance costs, net	(4,278)	(4,233)

8 Income tax expense

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

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current income tax	1,019	228
Over-provision in prior year	–	(62)
Deferred income tax	1,672	(106)
Macau profits tax		
Current income tax	–	3,245
	2,691	3,305

9 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods. The weighted average number of ordinary shares used for such purpose were restated as if the share subdivision of HK\$0.01 each into 4 shares of HK\$0.0025 each effective in December 2015 ("Share Subdivision") were taken place on 1 April 2015.

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
Profit attributable to equity holders of the Company (HK\$'000)	30,830	103,688
		(Restated)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	1,680,000	1,633,224
Basic earnings per share (HK cents)	1.84	6.35

(b) Diluted

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

10 Dividends

On 29 November 2016, the Board resolved to declare an interim dividend of 0.5 HK cents per shares for the Period (2015: 1.25 HK cents, as restated for the Share Subdivision).

Final dividends of HK\$63,000,000 relating to the year ended 31 March 2015 and HK\$29,400,000 relating to the year ended 31 March 2016 were declared in September 2015 and September 2016, respectively.

11 Plant and equipment

	Unaudited Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
At 1 April	605,566	509,245
Additions	8,183	52,274
Depreciation	(14,196)	(7,982)
	<hr/>	<hr/>
At 30 September	599,553	553,537

12 Trade and retention receivables

	Unaudited 30 September 2016	Audited 31 March 2016
	HK\$'000	HK\$'000
Trade receivables	115,874	203,833
Retention receivables	60,338	92,121
	<hr/>	<hr/>
	176,212	295,954

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

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

	Unaudited 30 September 2016	Audited 31 March 2016
	HK\$'000	HK\$'000
1 to 30 days	105,432	147,822
31 to 60 days	–	56,011
91 to 180 days	10,442	–
	<hr/>	<hr/>
	115,874	203,833

As at 30 September 2016 and 31 March 2016, there were no retention receivables which were past due.

13 Contracting work-in-progress

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	807,476	1,148,288
Progress billings to date	(894,729)	(1,148,398)
	(87,253)	(110)

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

Due from customers for contract work	20,341	28,562
Due to customers for contract work	(107,594)	(28,672)
	(87,253)	(110)

14 Restricted bank balances

As at 30 September 2016 and 31 March 2016, restricted bank balances represents a deposit placed by a director. Details can be referred to the last annual report of the Company.

15 Share capital and reserves

There had been no change in the share capital of the Company during the Period.

For the Previous Period, on 17 July 2015, 20,000,000 ordinary shares of HK\$0.01 each were issued under a placement at the placing price of HK\$3.01 per share. With effective from 23 December 2015, each share of the Company of HK\$0.01 per share was subdivided into 4 shares of HK\$0.0025 per share.

16 Trade and retention payables

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Trade payables	64,348	74,955
Retention payables	10,892	12,352
	75,240	87,307

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

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
0 to 30 days	60,105	67,645
31 to 60 days	1,989	510
61 to 90 days	949	–
91 to 180 days	475	6,524
181 to 365 days	830	89
More than 365 days	–	187
	64,348	74,955

17 Accruals and other payables

Accruals and other payables mainly represent the final dividend of HK\$29,400,000 declared in September 2016 relating to the year ended 31 March 2016 (31 March 2016: nil), the accruals and other payables for wages, legal and professional fees and other miscellaneous expenses.

18 Bank overdrafts and borrowings

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Non-current		
Obligations under finance leases	47,149	66,713
Long-term bank loans	58,830	54,160
	105,979	120,873
Current		
Bank overdraft	–	3
Short-term bank loans	35,660	35,660
Current portion of long-term bank loans due for repayment within one year	63,943	72,778
Long-term bank loans due after one year which contain repayment on demand clause	5,935	13,930
Obligations under finance leases due for repayment within one year	41,190	45,073
	146,728	167,444
Total borrowings	252,707	288,317

19 Commitments

(a) *Capital commitments*

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Contracted but not provided for:		
Plant and equipment	43,248	3,511

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

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

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
No later than 1 year	7,057	4,012
Later than 1 year and no later than 5 years	815	2,771
	<u>7,872</u>	<u>6,783</u>

20 Related party transactions

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

(a) Rental expenses paid to related companies

	Unaudited Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Rental expenses paid to:		
Cheer Crown Limited	1,080	1,080
East Ascent Enterprise Limited	23	23
Cheer Profit International Enterprise Limited	23	23
Long Ascent Development Limited	300	300
Cheer Wealth International Development Limited	438	438
Healthy World Investment Limited	300	300
	<u>3,000</u>	<u>3,000</u>

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

(b) Interest expenses payable to a related party

	Unaudited Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Interest expenses payable to a director	154	229

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

20 Related party transactions (continued)

(c) *Key management compensation*

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

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Fees	360	360
Salaries	1,466	1,466
Directors' quarters	1,084	1,084
Employer's contribution to pension scheme	18	18
	2,928	2,928

(d) *Balance – non-trade*

	Unaudited	Audited
	30 September	31 March
	2016	2016
	HK\$'000	HK\$'000
Payable to a director: Mr. Lau Chun Ming	20,713	20,559