

Shun Wo Group Holdings Limited

汛和集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1591



2016

INTERIM REPORT



CONTENTS

CORPORATE INFORMATION	2
CHAIRMAN STATEMENT	3
MANAGEMENT DISCUSSION AND ANALYSIS	4
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	7
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT OF FINANCIAL POSITION	8
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT OF CHANGES IN EQUITY	9
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT OF CASH FLOWS	10
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	11
CORPORATE GOVERNANCE/OTHER INFORMATION	25

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Yan Hung (*Chairman*)
 Mr. Wong Tony Yee Pong (*Chief Executive Officer*)
 Mr. Lai Kwok Fai (*Chief Operating Officer*)

Independent Non-executive Directors

Mr. Law Ka Ho
 Mr. Leung Wai Lim
 Mr. Tam Wai Tak Victor

AUDIT COMMITTEE

Mr. Tam Wai Tak Victor (*Chairman*)
 Mr. Law Ka Ho
 Mr. Leung Wai Lim

REMUNERATION COMMITTEE

Mr. Law Ka Ho (*Chairman*)
 Mr. Leung Wai Lim
 Mr. Wong Tony Yee Pong

NOMINATION COMMITTEE

Mr. Wong Yan Hung (*Chairman*)
 Mr. Law Ka Ho
 Mr. Tam Wai Tak Victor

COMPANY SECRETARY

Mr. Chui Gary Wing Yue

AUTHORISED REPRESENTATIVES

Mr. Wong Tony Yee Pong
 Mr. Chui Gary Wing Yue

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Block A, 1/F.
 Wing Hing Court
 50 Hing Man Street
 Shau Kei Wan
 Hong Kong

COMPLIANCE ADVISOR

Dakin Capital Limited
 Room 2701, 27/F., Tower 1
 Admiralty Centre
 18 Harcourt Road
 Hong Kong

LEGAL ADVISOR

David Fong & Co.
Solicitors, Hong Kong
 Unit A, 12/F.
 China Overseas Building
 139 Hennessy Road
 Wan Chai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
 PO Box 1350
 Clifton House
 75 Fort Street
 Grand Cayman KY1-1108
 Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
 31/F., 148 Electric Road
 North Point
 Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
 31/F., Gloucester Tower
 The Landmark
 11 Pedder Street, Central
 Hong Kong

PRINCIPAL BANK

Bank of China (Hong Kong) Limited

COMPANY'S WEBSITE

www.shunwogroup.com

STOCK CODE

1591

CHAIRMAN STATEMENT

Dear Shareholders,

On behalf of the board (the “Board”) of directors (the “Directors”) of Shun Wo Group Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”), I would like to present to our shareholders the first interim report of the Group for the six months period ended 30 September 2016 (the “Period”).

The Company was successfully listed (the “Listing”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 28 September 2016 (the “Listing date”). The Listing was an important milestone in our Group’s history as it not only enhanced our corporate image, but also helped us to establish better recognition in the industry, broaden our client base, cope with our business development and provide sufficient capital for our expansion.

As the Government will continue to increase private housing supply through a multi-pronged approach, which includes putting up lands for sale and encouraging the MTR Corporation Limited to take forward residential development projects, the foundation industry in Hong Kong is expected to grow steadily in the near future. As such, I am optimistic about the prospects of the Group and the Group will continue to focus on its core business and prepare for future opportunities, while maximising our shareholders’ value.

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our management team and staff for their hard work and contributions, and to our shareholders, investors and business partners for their trust and support.

The Board does not recommend the declaration of an interim dividend for the Period.

Wong Yan Hung

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group has more than 20 years history in Hong Kong foundation industry, specialising in ELS works, socketed H-piling and mini-piling works and pile caps construction works. Hop Kee Construction Company Limited, our principal operating subsidiary, is registered under the Buildings Ordinance as a Registered Specialist Contractor under the sub-register of “Foundation Works” category since December 2009.

During the Period, the Group had been awarded 6 projects with original contract sum of approximately HK\$49.2 million and had completed 9 projects with original contract sum of approximately HK\$125.9 million.

As at 30 September 2016, the Group had a total of 11 ongoing projects (including projects that have commenced but not completed as well as projects that have been awarded but not yet commenced) and the original contract sum of these projects is approximately HK\$238.5 million.

Since the announcement of 2016 Policy Address, housing remains to be one of the most critical livelihood issues that the Government has to address. The Group believes that the Government will continue to increase the housing supply, and thus more foundation projects will be launched in the near future. As such, the Group remains positive on to the future of foundation industry and the business prospect of the Group.

FINANCIAL REVIEW

Revenue

For the Period, the revenue of the Group has increased by HK\$63.8 million, or 101.2% compared to the corresponding period in 2015, from HK\$63.0 million to HK\$126.8 million. The increase was primarily due to a few sizable projects which commenced in the second half of year 2015 and given that substantial work was performed during the Period.

Gross Profit and Gross Profit Margin

For the Period, the gross profit of the Group has increased by HK\$7.5 million, or 44.9% compared to the corresponding period in 2015, from HK\$16.8 million to HK\$24.3 million. The increase in gross profit was due to the substantial increase in revenue. However, the gross profit margin for the Period has decreased from 26.6% to 19.2%. Such decrease was mainly because the Group subcontracted out substantially all the works in respect of a relatively sizeable project and only performed a project management and supervision role, and there was substantial work performed, resulting in a lower profit margin, which in turn brought a downward effect to the gross profit margin for the Period.

Other income and gain

For the Period, the other income and gain has decreased by HK\$419,000 or 51.2% compared to the corresponding period in 2015, from HK\$819,000 to HK\$400,000. The decrease was primarily due to the one-off gain on disposal of property, plant and equipment and the reimbursement of works done from a contractor for certain works performed by us related to the works originally under the contractor’s responsibility after subsequent mutual agreement during the corresponding period in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

For the Period, the administrative and other operating expenses have increased by HK\$11.4 million or 222.7% compared to the corresponding period in 2015, from HK\$5.1 million to HK\$16.5 million. The increase was primarily due to the one-off listing expenses of approximately HK\$9.2 million during the Period.

Finance Cost

For the Period, the finance cost has increased by HK\$203,000 or 390.4% compared to the corresponding period in 2015, from HK\$52,000 to HK\$255,000. The increase was primarily due to the increase in our obligations under finance lease to finance the purchase of machinery during the Period as compared to the corresponding period in 2015.

Profit attributable to owners of the Company

For the Period, the profit attributable to owners of the Company has decreased by HK\$5.3 million or 51.3% compared to the corresponding period in 2015, from HK\$10.3 million to HK\$5.0 million. The decrease was primarily due to the one-off listing expenses of approximately HK\$9.2 million. If the one-off listing expenses are not taken into account, the Group would have an adjusted net profit of HK\$14.2 million, representing an increase of 37.4%, when compared to the corresponding period in 2015.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The shares of the Company (the "Shares") were successfully listed on the Main Board of the Stock Exchange on 28 September 2016 and there has been no change in capital structure of the Group since then.

As at 30 September 2016, the Group had total cash and cash equivalents of approximately HK\$120.0 million (31 March 2016: approximately HK\$29.6 million). The increase was due to the net proceeds received from the Listing by the Company on 28 September 2016.

As at 30 September 2016, the gearing ratio of the Group, calculated by total bank borrowings (including finance lease liabilities) as a percentage of total equity was 7.2% (31 March 2016: 22.5%). The decrease was primarily due to the enlarged share capital of the Group as a result of the issuance of significant number of Shares in relation to the Listing.

PLEDGE OF ASSETS

As at 30 September 2016, the Group had HK\$3.7 million of pledge bank deposits (31 March 2016: HK\$3.7 million), while HK\$12.5 million of net book value of our machinery were pledged under finance leases (31 March 2016: HK\$15.8 million).

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group only operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

During the Period, the Group invested HK\$586,000 in the purchase of property, plant and equipment. All these capital expenditures were financed by internal resources.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2016, save as disclosed in the prospectus of the Company dated 12 September 2016 (the "Prospectus"), the Group had no material capital commitments or contingent liabilities.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies apart from the corporate reorganisation (the "Reorganisation") in relation to the Listing as disclosed in the Prospectus.

SIGNIFICANT INVESTMENT HELD

During the Period, save as disclosed in the Prospectus the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group does not have any other plans for material investments or capital assets.

INTERIM DIVIDEND

The Board has resolved not to recommend the declaration of any interim dividend for the Period.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

The net proceeds from the Listing in September 2016, after deducting listing related expenses, were approximately HK\$84.2 million. As the Listing date is close to our half-year end date (30 September 2016), the Company has not yet utilised the proceeds from the Listing as planned as of 30 September 2016 and there has not yet been material business progress as of 30 September 2016 in implementing the business objectives set out in the Prospectus.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2016, the Group employed a total of 89 full-time employees (including executive Directors), as compared to a total of 85 full-time employees as at 31 March 2016. Remuneration is determined with reference to the market terms and the performance, qualifications and experience of the individual employee. In addition to basic salary, performance-linked bonus is offered to those staff with special contributions to the Group, in order to attract and retain capable employees. The total remuneration cost incurred by the Group for the Period was approximately HK\$16.9 million compared to approximately HK\$10.2 million in the corresponding period in 2015.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months period ended 30 September 2016

	Notes	For the six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	4	126,804	63,021
Direct costs		(102,509)	(46,256)
Gross profit		24,295	16,765
Other income and gain	4	400	819
Administrative and other operating expenses		(16,479)	(5,106)
Finance costs	5	(255)	(52)
Profit before income tax	6	7,961	12,426
Income tax expense	7	(2,928)	(2,089)
Profit and total comprehensive income for the period attributable to owners of the Company		5,033	10,337
Basic and diluted earnings per share (HK cents per share)	8	0.126	0.258

Details of dividend is disclosed in Note 9 to the Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	20,029	22,645
Current assets			
Gross amounts due from customers for contract work	11	10,858	8,963
Trade and other receivables	12	45,050	46,039
Pledged bank deposits	13	3,661	3,650
Bank balances	14	116,484	25,967
		176,053	84,619
Total assets		196,082	107,264
EQUITY			
Capital and reserves			
Share capital	15	40,000	200
Reserves		103,684	61,829
Total equity		143,684	62,029
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	17	5,449	8,427
Deferred tax liabilities		1,751	1,751
		7,200	10,178
Current liabilities			
Gross amounts due to customers for contract work	11	2,591	3,456
Trade and other payables	16	32,440	22,668
Finance lease liabilities	17	4,879	5,499
Current income tax liabilities		5,288	3,434
		45,198	35,057
Total liabilities		52,398	45,235
Total equity and liabilities		196,082	107,264
Net current assets		130,855	49,562
Total assets less current liabilities		150,884	72,207

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 September 2016

	Attribute to owners of the Company				Total Equity HK\$'000
	Share Capital HK\$'000	Share Premium HK\$'000	Merger Reserve HK\$'000	Retained Earnings HK\$'000	
Balance at 1 April 2016 (Audited)	200	–	–	61,829	62,029
Profit and total comprehensive income for the period	–	–	–	5,033	5,033
Dividend	–	–	–	(20,001)	(20,001)
Arising from Group reorganisation	(198)	–	198	–	–
Shares issued pursuant to the capitalisation issue	31,998	(31,998)	–	–	–
Shares issued under share offer	8,000	96,000	–	–	104,000
Shares issuance costs	–	(7,377)	–	–	(7,377)
Balance at 30 September 2016 (Unaudited)	40,000	56,625	198	46,861	143,684
Balance at 1 April 2015 (Audited)	200	–	–	52,476	52,676
Profit and total comprehensive income for the period	–	–	–	10,337	10,337
Balance at 30 September 2015 (Unaudited)	200	–	–	62,813	63,013

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT OF CASH FLOWS

For the six months period ended 30 September 2016

	<i>Notes</i>	For the six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash generated from operating activities		20,110	7,727
Net cash used in investing activities		(564)	(12,953)
Net cash generated from financing activities		70,971	5,031
Net increase/(decrease) in cash and cash equivalents		90,517	(195)
Cash and cash equivalents at beginning of the period		25,967	1,404
Cash and cash equivalents at end of the period	14	116,484	1,209

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 3 May 2016 as an exempted company with limited liability. Its Shares were listed on the Main Board of the Stock Exchange on 28 September 2016.

The Company is an investment holding company and the address of the Company is PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands.

The Group is principally engaged in undertaking foundation works in Hong Kong.

The condensed consolidated interim financial statements were approved by the Board for issue on 28 November 2016.

2. BASIS OF PREPARATION AND CORPORATE REORGANISATION

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

The condensed consolidated interim financial statement should be read in conjunction with the combined financial statements for the years ended 31 March 2014, 2015 and 2016 as set out in the accountants’ report (the “Accountants’ Report”) included in Appendix I to the Prospectus.

Pursuant to the Reorganisation, the Company became the holding company of the Group on 18 May 2016. Details of the Reorganisation are set out in the section headed “Corporate Reorganisation” in Appendix IV “Statutory and general information” to the Prospectus.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis. The accounting policies adopted are consistent with those followed in the preparation of the Accountants' Report, except for the adoption of revised standards, amendments and interpretations ("new and revised HKFRSs").

During the Period, the Group has adopted all the following new and revised HKFRSs which are first effective for the reporting period and relevant to the Group.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The adoption of these new and revised HKFRSs have no significant financial effect on the condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in the condensed consolidated interim financial statements.

The Group has not early adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

The condensed consolidated interim financial statements are presented in Hong Kong Dollars ("HK\$"), which is the Group's functional and presentation currency.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE, OTHER INCOME AND GAIN AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents construction contract receipts in the ordinary course of business. Revenue and other income and gain recognised during the respective period is as follow:

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue		
Main contracting	40,898	15,138
Sub-contracting	85,906	47,883
	126,804	63,021
Other income and gain		
Gain on disposal of property, plant and equipment	–	248
Rental income	345	263
Interest income	22	20
Others	33	288
	400	819

Operating Segment

The chief operating decision-maker has been identified as the Board. The Board 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. FINANCE COSTS

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on finance leases	255	52

6. PROFIT BEFORE INCOME TAX

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Included in direct costs:		
Depreciation of owned assets	673	277
Depreciation of assets under finance leases	1,174	691
Staff costs	14,236	8,274
Operating lease rental in respect of		
— Plant and machinery	2,930	781
— Others	52	7
Included in administrative and other operating expenses:		
Depreciation of owned assets	751	437
Depreciation of assets under finance leases	604	819
Listing expenses	9,175	–
Operating lease rental in respect of		
— Premises	457	458
— Car parks	86	28
Staff costs, including directors' emoluments	2,638	1,920

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong during the respective period is as follows:

	For the six months ended 30 September	
	2016 HK\$ (Unaudited)	2015 HK\$ (Unaudited)
Hong Kong profits tax		
Current tax on profits for the period	2,928	2,089

8. BASIC AND DILUTED EARNINGS PER SHARE

For the purpose of this condensed consolidated interim financial statements, the calculation of the basic earnings per share attributable to owners of the Company was based on the assumption that capitalisation issue and shares issued under share offer have been effective on 1 April 2015.

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit attributable to owners of the Company	5,033	10,337
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	4,000,000	4,000,000
Basic earnings per share (HK cents)	0.126	0.258

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the respective periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. DIVIDEND

During the Period, the Group declared and paid an interim dividend of HK\$20,001,100 to its then shareholders prior to the Listing.

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Dividend	20,001	–

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Plant, machinery and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 April 2015 (Audited)	505	178	13,724	1,077	15,484
Additions	9	184	13,359	2,490	16,042
Disposals	–	–	(362)	(34)	(396)
At 31 March 2016 (Audited)	514	362	26,721	3,533	31,130
Additions	–	45	541	–	586
As at 30 September 2016 (Unaudited)	514	407	27,262	3,533	31,716
Accumulated depreciation					
At 1 April 2015 (Audited)	(72)	(48)	(2,421)	(845)	(3,386)
Charge for the year	(102)	(69)	(4,447)	(851)	(5,469)
Disposals	–	–	336	34	370
At 31 March 2016 (Audited)	(174)	(117)	(6,532)	(1,662)	(8,485)
Charge for the period	(51)	(40)	(2,687)	(424)	(3,202)
As at 30 September 2016 (Unaudited)	(225)	(157)	(9,219)	(2,086)	(11,687)
Net book value					
At 31 March 2016 (Audited)	340	245	20,189	1,871	22,645
At 30 September 2016 (Unaudited)	289	250	18,043	1,447	20,029

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Fixed asset held under finance leases

Motor vehicles include the following amounts where the Group is a lessee under finance leases.

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Costs — capitalised finance lease	–	2,374
Accumulated depreciation	–	(856)
Net book value	–	1,518

Plant, machinery and equipment include the following amounts where the Group is a lessee under finance leases.

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Costs — capitalised finance lease	17,784	17,784
Accumulated depreciation	(5,264)	(3,486)
Net book value	12,520	14,298

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	136,079	116,506
Less: Progress billings received and receivables	(125,221)	(107,543)
	10,858	8,963
Gross amounts due to customers for contract work		
Progress billings received and receivables	15,223	28,807
Less: Contract costs incurred plus recognised profit less recognised losses	(12,632)	(25,351)
	2,591	3,456

12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Trade receivables	23,415	29,293
Retention receivables	17,179	13,312
Other receivables, deposits and prepayments	4,456	3,434
	45,050	46,039

Notes:

- (a) The credit period granted to customers is ranged from 14 to 60 days generally. Trade receivables are denominated in HK\$.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
0–30 days	7,402	20,796
31–60 days	6,908	6,305
61–90 days	8,160	2,113
Over 90 days	945	79
	23,415	29,293

13. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks as surety bond for faithful performance according to the contract between the Group and the customers. The effective interest rates on pledged bank deposits is 0.38% and 0.18% per annum as at 31 March 2016 and 30 September 2016 respectively. The maturity of these deposits was one year and two months for the year ended 31 March 2016 and for the Period respectively. The carrying amounts of pledged bank deposits are denominated in HK\$.

14. BANK BALANCES

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Cash at banks	116,484	25,967
Cash and cash equivalents	116,484	25,967

Notes:

- (a) The cash and cash equivalents are denominated in HK\$.
- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. SHARE CAPITAL

	Notes	Number of ordinary shares	Share Capital HK\$'000 (Unaudited)
Authorised:			
As at 3 May 2016 (date of incorporation)			
Ordinary Shares of HK\$0.01 each	<i>a</i>	38,000,000	380
Increased in authorised share capital	<i>c</i>	9,962,000,000	99,620
<hr/>			
As at 30 September 2016		10,000,000,000	100,000
<hr/>			
Issued and fully paid:			
As at 3 May 2016 (date of incorporation)			
Shares issued upon Reorganisation	<i>b</i>	1	—*
Shares issued pursuant to the capitalisation issue	<i>d</i>	200,010	2
Shares issued under share offer	<i>e</i>	3,199,799,989	31,998
	<i>f</i>	800,000,000	8,000
<hr/>			
As at 30 September 2016		4,000,000,000	40,000

* Represent — amount less than HK\$1,000.

Notes:

- (a) The Company was incorporated on 3 May 2016. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.
- (b) On 3 May 2016, one fully paid Share was issued and allotted to the subscriber, which was subsequently transferred to May City Holdings Limited ("May City") on the same date.
- (c) On 3 September 2016, the then sole shareholder of the Company resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$100,000,000 by creation of an additional 9,962,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respect.
- (d) On 17 May 2016 and 18 May 2016, a total of 200,010 new Shares of HK\$0.01 each were issued and allotted to May City by the Company for completion of acquisition of the entire issued share capital of Umma Floral Limited ("Umma Floral").
- (e) Pursuant to the written resolutions of the then sole shareholder of the Company passed on 3 September 2016, the Company issued and allotted a total of 3,199,799,989 ordinary Shares of the Company credited as fully paid to the sole holder of the Company's shares on the register of members at the close of business on 3 September 2016 by way of capitalisation of the sum of HK\$31,997,999.89 standing to the credit of the share premium account of the Company.
- (f) On 27 September 2016, 800,000,000 ordinary Shares of HK\$0.01 each were issued to the public at a price of HK\$0.13 per share for cash totaling HK\$104,000,000 by way of share offer. The excess of the issue price over the par value of the shares, net of shares issuance costs of approximately HK\$7.4 million, were credited to the share premium account of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. TRADE AND OTHER PAYABLES

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Trade payables	15,642	16,737
Retention payables	3,023	2,688
Accruals and other payables	13,775	3,243
	32,440	22,668

Notes:

- (a) Payment terms granted by suppliers are generally 0 to 60 days.
- (b) The ageing analysis of trade payables based on the invoice date is as follows:

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
0–30 days	7,131	13,002
31–60 days	7,700	2,497
61–90 days	783	1,238
Over 90 days	28	–
	15,642	16,737

- (c) All the remaining balances were settled in accordance with the terms of respective contract.
- (d) All trade and other payables are denominated in HK\$.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17. FINANCE LEASE LIABILITIES

At 31 March 2016 and 30 September 2016, the Group had finance leases repayable as follows:

	As at 30 September 2016 (Unaudited)		As at 31 March 2016 (Audited)	
	Present value of the minimum lease payment HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payment HK\$'000	Total minimum lease payments HK\$'000
Within one year	4,879	5,189	5,499	5,934
More than one year but not more than two years	4,845	4,965	5,489	5,712
More than two years but not more than five years	604	607	2,938	2,977
	10,328	10,761	13,926	14,623
Less: total future interest expenses		(433)		(697)
Present value of lease obligations		10,328		13,926

The Group's motor vehicles with aggregate net book value of approximately HK\$1.5 million and Nil as at 31 March 2016 and 30 September 2016 respectively are secured as the rights to the leased assets revert to the lessors in the event of default.

The Group's machineries with aggregate net book value of approximately HK\$14.3 million and HK\$12.5 million as at 31 March 2016 and 30 September 2016 respectively are secured as the rights to the leased assets revert to the lessors in the event of default.

The Group had committed finance lease facilities which bore interest at 3.6% to 5.6% and 3.6% to 4.3% per annum as at 31 March 2016 and 30 September 2016 respectively.

The carrying amounts of all finance lease liabilities are denominated in HK\$.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

18. RELATED PARTIES TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) During the Period, following transactions were carried out with the related party:

Related Party	Nature	For the six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Hop Kee Development Co., Limited	Rental of Properties	90	86

Rental expenses were charged according to the agreement.

The Directors are of the opinion that these transactions were conducted in normal business terms and in the ordinary course of business.

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Salaries and allowances	747	747
Retirement scheme contributions	27	27

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

19. COMMITMENTS

Operating lease commitments — Group as lessee

At 31 March 2016 and 30 September 2016, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Within one year	232	900
In the second to fifth years inclusive	–	264
	232	1,164

The Group is the lessee in respect of premises and car parks under operating leases. The leases typically run for initial periods ranging from approximately 9 months to 2 years.

20. CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30 September 2016 (31 March 2016: Nil).

21. CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular time.

The Group had no significant contingent liabilities as at 30 September 2016 (31 March 2016: Nil).

22. EVENTS OCCURRING AFTER THE PERIOD

On 31 October 2016, the Group (as tenant) entered into a lease agreement in respect of rental of office with an independent third party for a term of 3 years commencing on 1 November 2016. The amount of the rental is HK\$64,000 per month (inclusive of management fee and rates).

Save as the aforesaid, there are no significant events after the Period and up to the date of this report.

CORPORATE GOVERNANCE/ OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF OUR COMPANY AND THE ASSOCIATED CORPORATIONS

As at 30 September 2016, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Listing Rules, notified to the Company and the Stock Exchange, were as follows:

i. Long position in our Shares

Name of Directors	Capacity/Nature	Number of Shares held/interested	Percentage of shareholding
Mr. Wong Yan Hung	Interest in a controlled corporation <i>(Note)</i>	3,000,000,000	75%
Mr. Wong Tony Yee Pong	Interest in a controlled corporation <i>(Note)</i>	3,000,000,000	75%
Mr. Lai Kwok Fai	Interest in a controlled corporation <i>(Note)</i>	3,000,000,000	75%

Note:

These 3,000,000,000 Shares are held by May City, the entire issued share capital of which is owned as to 40% by Mr. Wong Yan Hung, 30% by Mr. Wong Tony Yee Pong and 30% by Mr. Lai Kwok Fai. Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai have had a mutual understanding all along to jointly control the Group and thus they are presumed to be acting in concert (within the meaning of the Takeovers Code). Therefore, each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is deemed, or taken to be, interested in all the Shares held by May City for the purposes of the SFO. Each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is a director of May City.

ii. Long position in the shares of associated corporation

Name of Directors	Name of associated corporation	Capacity/Nature	Number of shares held/interested in	Percentage of interest
Mr. Wong Yan Hung	May City	Beneficial interest	40	40%
Mr. Wong Tony Yee Pong	May City	Beneficial interest	30	30%
Mr. Lai Kwok Fai	May City	Beneficial interest	30	30%

CORPORATE GOVERNANCE/ OTHER INFORMATION

Save as disclosed above, as at 30 September 2016, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

INTERESTS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2016, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in 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 or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name	Capacity/Nature	Number of Shares held/interested in	Percentage of interest
May City	Beneficial interest (Note 1)	3,000,000,000	75%
Ms. Choi Mei Chu	Interest of spouse (Note 2)	3,000,000,000	75%
Ms. Lee Pik Yu, Kenji	Interest of spouse (Note 3)	3,000,000,000	75%
Ms. Mak Kit Ling	Interest of spouse (Note 4)	3,000,000,000	75%

Notes:

- These 3,000,000,000 Shares are held by May City, the entire issued share capital of which is owned as to 40% by Mr. Wong Yan Hung, 30% by Mr. Wong Tony Yee Pong and 30% by Mr. Lai Kwok Fai. Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai have had a mutual understanding all along to jointly control the Group and thus they are presumed to be acting in concert (within the meaning of the Takeovers Code). Therefore, each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is deemed, or taken to be, interested in all the Shares held by May City for the purposes of the SFO. Each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is a director of May City.
- Ms. Choi Mei Chu is the spouse of Mr. Wong Yan Hung and is deemed or taken to be interested in all the Shares in which Mr. Wong Yan Hung has, or is deemed to have, an interest for the purposes of the SFO.
- Ms. Lee Pik Yu, Kenji is the spouse of Mr. Wong Tony Yee Pong and is deemed or taken to be interested in all the Shares in which Mr. Wong Tony Yee Pong has, or is deemed to have, an interest for the purposes of the SFO.
- Ms. Mak Kit Ling is the spouse of Mr. Lai Kwok Fai and is deemed or taken to be interested in all the Shares in which Mr. Lai Kwok Fai has, or is deemed to have, an interest for the purposes of the SFO.

Save as disclosed above, as at 30 September 2016, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CORPORATE GOVERNANCE/ OTHER INFORMATION

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 3 September 2016. The principal terms of the Share Option Scheme is summarised in Appendix IV to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 3 September 2016, and there is no outstanding share option as at 30 September 2016.

COMPETING INTERESTS

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Period, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining good corporate governance to safeguard the interest of shareholders and to achieve effective accountability. The Company has adopted the corporate governance code (the "CG code") contained in Appendix 14 of the Listing Rules. To the best knowledge of the Board, the Company has complied with the CG code since the date of the Listing and up to the date of this report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the required Model Code's standard since the date of the Listing and up to the date of this report.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

The Shares of the Company were listed on 28 September 2016. Since the Listing date and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party since the date of the Listing up to 30 September 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules since the date of the Listing and up to the date of this report.

CORPORATE GOVERNANCE/ OTHER INFORMATION

AUDIT COMMITTEE

The Company established an Audit Committee on 3 September 2016 with written terms of reference in compliance with the CG code. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the Group's financial report system and internal control procedures, provide advice and comments to the Board, and monitor the independence and objective of the external auditor.

The Audit Committee consists of three members who are all independent non-executive Directors, namely, Mr. Tam Wai Tak Victor, Mr. Law Ka Ho and Mr. Leung Wai Lim. Mr. Tam Wai Tak Victor is the Chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the Period. The Audit Committee was of the opinion that the preparation of such results complied with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

By Order of the Board

Shun Wo Group Holdings Limited

Wong Yan Hung

Chairman

Hong Kong, 28 November 2016