

# 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

# 2017

## INTERIM REPORT



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# 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*)  
Mr. Lam Joseph Chok (Appointed on 25 May 2017)

### 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

26th Floor, Lancashire Centre  
361 Shaaukeiwan Road, Hong Kong

## COMPLIANCE ADVISER

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

## LEGAL ADVISER

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  
Room 2103B, 21/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](http://www.shunwogroup.com)

## STOCK CODE

1591

# Management Discussion and Analysis

The board (the "Board") of directors (the "Directors") of Shun Wo Group Holdings Limited (the "Company") is pleased to present the interim report of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2017 (the "Period").

## BUSINESS REVIEW AND OUTLOOK

The Group has more than 20 years history in Hong Kong foundation industry, specialising in excavation and lateral support works, socketed H-piling and mini-piling works and pile caps construction works. Hop Kee Construction Company Limited, the 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 3 projects with original contract sum of approximately HK\$218.9 million and had completed 6 projects with original contract sum of approximately HK\$160.6 million.

As at 30 September 2017, 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) undertaken with the original contract sum of approximately HK\$362.4 million.

During the Period, the keen competition in the foundation industry was further exacerbated. The difficult operating environment was caused by the increasing number of competitors seeking to tender projects and the rising production costs persisted. Accordingly, the Group has adopted more competitive tender pricing policy and stringent control over the production costs in order to achieve reasonable project's gross margin. The Group anticipates that the keen competition in the foundation industry will continue in the near future.

On 3 August 2017, the Group submitted an application to the Development Bureau to apply for inclusion in the List of approved suppliers of material and specialist contractors for public works (land piling category — group II). After obtaining the licence, the Group will directly tender for Government's projects.

## FINANCIAL REVIEW

### Revenue

For the Period, the revenue of the Group has decreased by approximately HK\$74.5 million, or approximately 58.8% compared to the corresponding period in 2016, from approximately HK\$126.8 million to approximately HK\$52.3 million. The decrease was primarily due to the keen competition faced by the Group in obtaining new businesses in the foundation industry and a few sizable projects, in which majority of revenue was recognised in the corresponding period in 2016.

### Gross Profit and Gross Profit Margin

For the Period, the gross profit of the Group has decreased by approximately HK\$13.9 million, or approximately 57.2% compared to the corresponding period in 2016, from approximately HK\$24.3 million to approximately HK\$10.4 million. The decrease in gross profit was mainly due to the decrease in revenue as discussed above. The gross profit margin was approximately 19.8%, which was similar to the gross profit margin for the corresponding period in 2016.

### Other income

For the Period, the other income has increased by approximately HK\$306,000 or approximately 76.5% compared to the corresponding period in 2016, from approximately HK\$400,000 to approximately HK\$706,000. The increase was due to the increase in bank interest income and the dividend income received from bond funds during the Period compared to the corresponding period in 2016.

# Management Discussion and Analysis

## Administrative Expenses

For the Period, the administrative and other operating expenses have decreased by approximately HK\$6.4 million or approximately 38.8% compared to the corresponding period in 2016, from approximately HK\$16.5 million to approximately HK\$10.1 million. The decrease was mainly because the Group did not incur any listing expenses during the Period (2016: approximately HK\$9.2 million).

## Finance Cost

For the Period, the finance cost has decreased by approximately HK\$123,000 or approximately 48.2% compared to the corresponding period in 2016, from approximately HK\$255,000 to approximately HK\$132,000. The decrease in finance cost was mainly due to the decrease in the outstanding balance of the finance lease liabilities during the Period compared to the corresponding period in 2016.

## Profit attributable to owners of the Company

For the Period, the profit attributable to owners of the Company has decreased by approximately HK\$4.2 million or approximately 84.0% compared to the corresponding period in 2016, from approximately HK\$5.0 million to approximately HK\$0.8 million. The decrease was primarily due to the decrease in revenue and gross profit as discussed above.

## 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.

The Group maintained a sound financial position during the Period. As at 30 September 2017, the Group had total cash and cash equivalents and bank deposits of approximately HK\$87.0 million (31 March 2017: approximately HK\$92.1 million).

As at 30 September 2017, the gearing ratio of the Group, calculated by total bank borrowings (including finance lease liabilities) as a percentage of total equity was approximately 3.5% (31 March 2017: approximately 5.0%).

## TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy. The Board 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 all the time.

It is one of the treasury policies of the Group to make use of certain surplus funds retained by the Group by way of investment in unlisted securities. In April 2017, the Group purchased approximately 76,000 units in a bond fund at a total cost of HK\$5.0 million. In June 2017, the Group purchased approximately 458,000 units in another bond fund at a total cost of approximately HK\$4.5 million. As at 30 September 2017, the fair value of the investment in the abovementioned bond funds were approximately HK\$9.4 million.

## PLEDGE OF ASSETS

As at 30 September 2017, the Group had approximately HK\$3.7 million of pledge bank deposits (31 March 2017: approximately HK\$3.7 million), while approximately HK\$9.0 million of net book value of our plant, machinery and equipment were pledged under finance leases (31 March 2017: approximately HK\$10.7 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 approximately HK\$2.8 million 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 2017, 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.

## SIGNIFICANT INVESTMENT HELD

During the Period, save as the investment in bond funds disclosed under the section headed "Treasury Policy", the Group had no significant investment.

## FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed under the section headed "Use of Proceeds", 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.

## USE OF PROCEEDS

The net proceeds received by the Group, after deducting related expenses were approximately HK\$84.2 million. These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Future Plans and Use of Proceeds" to the prospectus of the Company dated 12 September 2016 (the "Prospectus"). Such uses include: (i) acquisition of excavators, cranes and breakers; (ii) strengthening the workforce and manpower; (iii) increasing marketing efforts; and (iv) funding of general working capital. Details of the use of the proceeds are listed as below:

	<b>Planned use of proceeds up to 30 September 2017</b>	<b>Actual Usage up to 30 September 2017</b>
	HK\$'000	HK\$'000
Acquisition of excavators, cranes and breakers	30,000	6,849
Strengthening the workforce and manpower	5,300	2,282
Increasing marketing efforts	1,350	1,350
Funding of general working capital	8,000	8,000
Total	44,650	18,481

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

# Management Discussion and Analysis

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2017, the Group employed a total of 74 full-time employees (including executive Directors), as compared to a total of 54 full-time employees as at 31 March 2017. 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\$12.7 million compared to approximately HK\$16.9 million in the corresponding period in 2016.

## **EVENTS AFTER THE PERIOD**

There is no important event affecting the Group after the Period and up to the date of this report.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

For the six months ended  
30 September

	Notes	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>52,338</b>	126,804
Direct costs		<b>(41,953)</b>	(102,509)
<b>Gross profit</b>		<b>10,385</b>	24,295
Other income	4	<b>706</b>	400
Other losses	5	<b>(124)</b>	–
Administrative and other operating expenses		<b>(10,062)</b>	(16,479)
Finance costs	6	<b>(132)</b>	(255)
<b>Profit before income tax</b>	7	<b>773</b>	7,961
Income tax expense	8	<b>(7)</b>	(2,928)
<b>Profit and total comprehensive income for the period attributable to owners of the Company</b>		<b>766</b>	5,033
<b>Earnings per share attributable to owners of the Company</b>			
— Basic and diluted earnings per share (HK cents)	9	<b>0.019</b>	0.126



# Condensed Consolidated Statement of Financial Position

AS AT 30 SEPTEMBER 2017

	Notes	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	19,498	20,557
<b>Current assets</b>			
Trade and other receivables	12	49,033	47,597
Gross amounts due from customers for contract work		10,044	14,925
Financial assets at fair value through profit or loss	13	9,404	–
Bank deposits	14	57,671	42,663
Current income tax recoverable		1,362	1,362
Cash and cash equivalents	15	29,330	49,415
		156,844	155,962
<b>Total assets</b>		<b>176,342</b>	<b>176,519</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
<b>Capital and reserves</b>			
Share capital	16	40,000	40,000
Reserves		117,575	116,809
<b>Total equity</b>		<b>157,575</b>	<b>156,809</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Finance lease liabilities	18	604	2,938
Deferred tax liabilities		2,040	2,033
		2,644	4,971
<b>Current liabilities</b>			
Trade and other payables	17	11,278	9,765
Finance lease liabilities	18	4,845	4,974
		16,123	14,739
<b>Total liabilities</b>		<b>18,767</b>	<b>19,710</b>
<b>Total equity and liabilities</b>		<b>176,342</b>	<b>176,519</b>
<b>Net current assets</b>		<b>140,721</b>	<b>141,223</b>
<b>Total assets less current liabilities</b>		<b>160,219</b>	<b>161,780</b>

# Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	<b>Share capital</b> HK\$'000	<b>Share premium</b> HK\$'000	<b>Merger reserve</b> HK\$'000	<b>Retained earnings</b> HK\$'000	<b>Total</b> HK\$'000
Balance as at 1 April 2016 (Audited)	200	–	–	61,829	62,029
Profit and total comprehensive income for the period	–	–	–	5,033	5,033
Dividends	–	–	–	(20,001)	(20,001)
Reorganisation	(198)	–	198	–	–
Shares issued pursuant to the capitalisation issue	31,998	(31,998)	–	–	–
Shares issued pursuant to the share offer	8,000	96,000	–	–	104,000
Shares issuance costs	–	(7,377)	–	–	(7,377)
<b>Balance as at 30 September 2016 (Unaudited)</b>	<b>40,000</b>	<b>56,625</b>	<b>198</b>	<b>46,861</b>	<b>143,684</b>
Balance as at 1 April 2017 (Audited)	40,000	56,625	198	59,986	156,809
Profit and total comprehensive income for the period	–	–	–	766	766
<b>Balance as at 30 September 2017 (Unaudited)</b>	<b>40,000</b>	<b>56,625</b>	<b>198</b>	<b>60,752</b>	<b>157,575</b>

# Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash generated from operating activities	9,071	20,110
Net cash used in investing activities	(26,561)	(564)
Net cash (used in)/generated from financing activities	(2,595)	70,971
Net (decrease)/increase in cash and cash equivalents	(20,085)	90,517
Cash and cash equivalents at beginning of the period	49,415	25,967
Cash and cash equivalents at end of the period	29,330	116,484

# Notes to the Condensed Consolidated Financial Statements

## 1. GENERAL INFORMATION

The Company is an investment holding company. The Group is principally engaged in undertaking foundation works in Hong Kong.

The Company was incorporated in the Cayman Islands on 3 May 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 28 September 2016.

As at 30 September 2017, its parent and ultimate holding company is May City Holdings Limited ("May City"), a company incorporated in the British Virgin Islands (the "BVI") and owned as to 40% by Mr. Wong Yan Hung ("Mr. YH Wong"), 30% by Mr. Wong Tony Yee Pong ("Mr. Tony Wong") and 30% by Mr. Lai Kwok Fai ("Mr. Lai").

The address of the registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is 26th Floor, Lancashire Centre, 361 Shaukeiwan Road, Hong Kong.

The unaudited interim results for the Period have not been audited or reviewed by the company's auditors but have been reviewed by the Company's audit committee.

## 2. BASIS OF PREPARATION AND CORPORATE REORGANISATION

The condensed consolidated financial statements 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").

Pursuant to the reorganisation of the Group in connection with the listing, the Company underwent a corporate reorganisation (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.

## 3. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss which are carried at fair value. Except for the accounting policies described below, the significant accounting policies used in the preparation of condensed consolidated financial statements are consistent with those described in the annual financial statements.

### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the condensed consolidated statement of profit or loss and other comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

# Notes to the Condensed Consolidated Financial Statements

## 3. ACCOUNTING POLICIES (CONTINUED)

### (a) Financial assets at fair value through profit or loss (continued)

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the condensed consolidated statement of profit or loss and other comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the condensed consolidated statement of profit or loss and other comprehensive income as part of income when the Group's right to receive payments is established.

The adoption of the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA for the first time for the current period's financial statements, has had no material impact on the condensed consolidated financial statements.

The Group has not yet adopted any new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the impact of the adoption of such new and revised HKFRSs on the Group's results and financial position.

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

## 4. REVENUE, OTHER INCOME 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 recognised during the respective period are as follows:

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Revenue</b>		
Main contracting	13,482	40,898
Sub-contracting	38,856	85,906
	<b>52,338</b>	126,804
<b>Other income</b>		
Rental income	92	345
Interest income	425	22
Dividend income from bond funds	181	–
Others	8	33
	<b>706</b>	400

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 Financial Statements

## 5. OTHER LOSSES

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Financial assets at fair value through profit & loss		
— Fair value loss	96	—
Loss on disposal of property, plant and equipment	28	—
	124	—

## 6. FINANCE COSTS

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on finance leases	132	255

# Notes to the Condensed Consolidated Financial Statements

## 7. PROFIT BEFORE INCOME TAX

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Included in direct costs:		
Depreciation of owned assets	1,021	673
Depreciation of assets under finance leases	944	1,174
Staff costs	7,952	14,236
Operating lease rental in respect of		
— Plant and machinery	604	2,930
— Others	16	52
Included in administrative and other operating expenses:		
Depreciation of owned assets	987	751
Depreciation of assets under finance leases	834	604
Listing expenses	–	9,175
Operating lease rental in respect of		
— Premises	600	457
— Car parks	77	86
Staff costs, including directors' emoluments	4,738	2,638

## 8. 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 are as follows:

	For the six months ended 30 September	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Hong Kong profits tax:		
Current tax on profits for the period	–	2,928
Deferred income tax	7	–
Income tax expense	7	2,928

# Notes to the Condensed Consolidated Financial Statements

## 9. EARNINGS PER SHARE

For the purpose of this condensed consolidated 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit attributable to owners of the Company	766	5,033
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)	0.019	0.126

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 relevant period.

## 10. DIVIDENDS

No interim dividend was proposed by the Board for the Period.

During the six months ended 30 September 2016, the Group declared and paid interim dividends of HK\$20,001,100 to its then shareholders prior to the listing.

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interim dividends paid	–	20,001

## 11. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group invested approximately HK\$2.8 million in the purchase of property, plant and equipment (2016: approximately HK\$0.6 million), and disposed of property, plant and equipment with a net book value of HK\$0.1 million (2016: Nil).



# Notes to the Condensed Consolidated Financial Statements

## 12. TRADE AND OTHER RECEIVABLES

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000 (Audited)
Trade receivables	<b>34,737</b>	31,063
Retention receivables	<b>9,237</b>	12,491
Other receivables, deposits and prepayments	<b>5,059</b>	4,043
	<b>49,033</b>	47,597

Notes:

- (a) The credit period granted to customers ranges from 30 days to 60 days (31 March 2017: 30 days to 60 days) generally. Trade receivables are denominated in HK\$.
- (b) The ageing analysis of the trade receivables based on invoice date are as follows:

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000 (Audited)
0–30 days	<b>16,994</b>	23,536
31–60 days	<b>8,718</b>	7,527
61–90 days	<b>2,371</b>	–
Over 90 days	<b>6,654</b>	–
	<b>34,737</b>	31,063

# Notes to the Condensed Consolidated Financial Statements

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Unlisted investments		
Investment in bond funds		
— At fair value through profit or loss	9,404	—

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other losses" in the consolidated statement of profit or loss and other comprehensive income.

The fair value of the investments are traded in active market and stated at fair values at the end of respective period. Their fair values are determined by reference to market price quoted by the financial institution in Hong Kong.

## 14. BANK DEPOSITS

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Pledged bank deposits	3,671	3,663
Non-pledged bank deposits	54,000	39,000
Bank deposits	57,671	42,663

Note:

Pledged bank deposits represent deposits pledged to banks as surety bond for faithful of performance in accordance to the contract between the Group and the customers, and for the bank overdrafts facilities.

# Notes to the Condensed Consolidated Financial Statements

## 15. CASH AND CASH EQUIVALENTS

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Cash at banks	9,330	24,415
Short-term bank deposit	20,000	25,000
Cash and cash equivalents	29,330	49,415

## 16. SHARE CAPITAL

	Number of ordinary shares	Share Capital HK\$'000
Ordinary share of HK\$0.01 each		
<b>Authorised:</b>		
As at 30 September 2017 and 31 March 2017	10,000,000,000	100,000
<b>Issued and fully paid:</b>		
As at 30 September 2017 and 31 March 2017	4,000,000,000	40,000

# Notes to the Condensed Consolidated Financial Statements

## 17. TRADE AND OTHER PAYABLES

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000 (Audited)
Trade payables	5,151	3,851
Retention payables	2,402	2,881
Accruals and other payables	3,725	3,033
	<b>11,278</b>	9,765

Notes:

- (a) Payment terms granted by suppliers are generally 0 to 30 days (31 March 2017: 0 to 60 days).

The ageing analysis of trade payables based on the invoice date are as follows:

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000 (Audited)
0–30 days	2,904	2,235
31–60 days	2,126	626
61–90 days	114	9
Over 90 days	7	981
	<b>5,151</b>	3,851

- (b) All trade and other payables are denominated in HK\$.

# Notes to the Condensed Consolidated Financial Statements

## 18. FINANCE LEASE LIABILITIES

At 30 September 2017 and 31 March 2017, the Group had finance leases repayable as follows:

	As at 30 September 2017 (Unaudited)		As at 31 March 2017 (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	4,845	4,965	4,974	5,189
More than one year but not more than two years	604	607	2,938	2,977
	5,449	5,572	7,912	8,166
Less: total future interest expenses		(123)		(254)
Present value of lease obligations		5,449		7,912

The Group's machineries with aggregate net book value of approximately HK\$9.0 million as at 30 September 2017 (31 March 2017: HK\$10.7 million) 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 4.3% per annum as at 30 September 2017 (31 March 2017: 3.6% to 4.3% per annum).

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

## 19. 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) The directors of the Company are of the view that the following companies that had transactions with the Group are related parties:

Name	Relationship with the Group
Hop Kee Development Co., Limited	A related company was owned by Mr. YH Wong and Mr. Tony Wong as to 50% and 30% respectively.
Shun Tai Holdings Limited	A related company was owned by Mr. YH Wong, Mr. Tony Wong and Mr. Lai as to 40%, 30% and 30% respectively.

# Notes to the Condensed Consolidated Financial Statements

## 19. RELATED PARTIES TRANSACTIONS (CONTINUED)

### (b) Transactions with related parties

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Rental of premises, warehouse and car parking spaces paid to:		
Hop Kee Development Co., Limited	124	90
Shun Tai Holdings Limited	172	–

Notes:

- (i) The rental expenses for premises, warehouse and car parking spaces payable to the above related parties are based on the agreements entered into between the parties involved.
- (ii) These related party transactions also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange.

### (c) Compensation of key management personnel of the Group:

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Salaries and allowances	1,711	747
Retirement scheme contributions	34	27
	1,745	774

# Notes to the Condensed Consolidated Financial Statements

## 20. COMMITMENTS

### Operating lease commitments — Group as lessee

At 30 September 2017 and 31 March 2017, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000 (Audited)
Within one year	<b>1,053</b>	593
In the second to fifth years inclusive	<b>611</b>	893
	<b>1,664</b>	1,486

The Group is the lessee in respect of premises, warehouse and car parks under operating leases. The leases typically run for initial periods ranging from approximately 1 month to 3 years.

# Corporate Governance/ Other Information

## DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

As at 30 September 2017, the interests and short positions of the Directors or chief executives 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 (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 (Note)	2,040,000,000	51%
Mr. Wong Tony Yee Pong	Interest in a controlled corporation (Note)	2,040,000,000	51%
Mr. Lai Kwok Fai	Interest in a controlled corporation (Note)	2,040,000,000	51%

Note:

These 2,040,000,000 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%

Save as disclosed above, as at 30 September 2017, none of the Directors or chief executives 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.



# Corporate Governance/ Other Information

## SUBSTANTIAL AND OTHER SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2017, 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)	2,040,000,000	51%
Ms. Choi Mei Chu	Interest of spouse (Note 2)	2,040,000,000	51%
Ms. Lee Pik Yu, Kenji	Interest of spouse (Note 3)	2,040,000,000	51%
Ms. Mak Kit Ling	Interest of spouse (Note 4)	2,040,000,000	51%

Notes:

- These 2,040,000,000 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 2017, 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 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 2017.

## COMPETING INTERESTS

The Directors confirm that neither the Directors nor 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 ADVISER'S INTERESTS

As notified by the Company's compliance adviser, Dakin Capital Limited (the "Compliance Adviser"), as at 30 September 2017, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 24 May 2016, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to 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 during the Period 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 during the Period and up to the date of this report.

## PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Period 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 during the Period.

## 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 during the Period 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, risk management 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 interim results 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.

## APPRECIATION

The Board would like to take this opportunity to express its sincere gratitude to the management team and staff for their hard work and contributions, and to our shareholders, investors and business partners for their trust and support.

By Order of the Board

**Shun Wo Group Holdings Limited**

**Wong Yan Hung**

*Chairman*

Hong Kong, 23 November 2017