



INTERIM REPORT
2017/18



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)

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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 2017 (the “Period”), together with the comparative figures for the corresponding period in 2016 (the “Previous Period”). These information should be read in conjunction with the annual financial statements for the year ended 31 March 2017.

HIGHLIGHTS

	1H 2017/18	1H 2016/17
Revenue	HK\$286 million	HK\$479 million
Profit for the period	HK\$7 million	HK\$31 million
Earnings per share	0.42 HK cents	1.84 HK cents
Interim dividend	N/A	0.5 HK cents
	30 September 2017	31 March 2017
Net borrowings	0	0
Current ratio	1.4 times	1.4 times
Total equity	HK\$686 million	HK\$696 million
Aggregate value of major contracts on hand	about HK\$685 million yet to complete	about HK\$990 million yet to complete

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Group Revenue and Profit

The Group's revenue and profit for the Period decreased by 40% and 77% respectively to HK\$286 million and HK\$7 million, respectively (2016: HK\$479 million and HK\$31 million), reflecting mainly a drop in contract revenue recorded during the Period. The gross profit margin for the Period was 11% (2016: 12%).

The Liantang/Heung Yuen Wai Boundary Control Point project, which was one of the main revenue contributors in the Previous Period, had works near completion during the Period. As such, for the current year, the Hospital Expansion project is the major contributor of revenue and profit to the Group.

Major Projects during the Period

	As at 30 September 2017 Completion Status	Expected Completion Date	Estimated Remaining Contract Value (HK\$) <i>(Note)</i>
Hospital Expansion	Around 55%	2019	640 million
Proposed Commercial/Residential Development in Wong Tai Sin District	Around 65%	End of 2018	45 million
Liantang/Heung Yuen Wai Boundary Control Point	Almost completed	N/A	N/A

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

Hospital Expansion

This project contributed about 82% of the Group's revenue for the Period. Bore piling works were carried out during the Period.

Proposed Commercial/Residential Development in Wong Tai Sin District

This project contributed about 10% of the Group's revenue for the Period. As mentioned in the last published annual report for the year ended 31 March 2017 (the "Annual Report"), because of certain technical complications in the first phase of the project, part of the works had to be re-designed and re-scheduled. As a result, the remaining works are expected to be completed by the end of 2018.

Business Outlook and Recent Development

As disclosed in the Annual Report, the Group expected to face a tougher business environment in the current year, hence it has been very cautious in making additional investment in machinery and equipment. To cope with the testing market environment, the Group streamlined its workforce the last financial year and stringently controlled interest cost during the Period.

The directors of the Company are of the view that, with zero net gearing as at 30 September 2017, the Group is in a healthy financial position, which will enable it to withstand pressure from the current market environment till the construction market warms up again when the Legislative Council picks up speed in clearing the backlog of public projects awaiting funding approval.

Gold Champion Enterprises Limited ("Gold Champion"), with stake held by the Group, owns a group of property holding companies, has received a number of enquiries from interested parties. The Group expects to in its best endeavour co-operate with Gold Champion to participate in the land development, bringing to them its wealth of expertise, skills and experience in construction.

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 1.4 times (31 March 2017: 1.4 times) which has remained stable and the total cash and bank balance was approximately HK\$315 million (31 March 2017: HK\$369 million). The net borrowings was 0 (31 March 2017: 0) as the Group had a net cash position as at 30 September 2017.

Administrative Expenses

Administrative expenses increased 43% from approximately HK\$21 million to approximately HK\$30 million. The significant increase in expenses is mainly because of an unrealised exchange loss on outstanding Euro loans due to the appreciation of Euro dollars between 31 March 2017 and 30 September 2017. Such loans were roll-over on revolving terms and the Group would have flexibility to settle when it receives proceeds in Euro dollars or when the exchange rate becomes more favourable to the Group. If exchange loss were excluded in both periods, the administrative expenses would have increased for about 11% mainly due to the increase in operating lease rental in respect of storage premises and legal and professional fees.

Finance Cost

Finance cost for the Period was approximately HK\$2.7 million, representing a decrease of approximately 49% compared with approximately HK\$5.2 million in the Previous Period. This is mainly attributable to the reduction in bank borrowings of about 41% during the Period. The Group managed to cut down its finance cost and meanwhile has maintained sufficient working capital to meet the needs of the current construction projects.

Taxation

The effective tax rate of the income tax expense for the period is 17% (2016: 8%).

Profit and Net Profit Margin

As a result, the Group's profit after tax was approximately HK\$7 million (2016: HK\$31 million), representing a year-on-year decrease of approximately 77%. Net profit margin was 2% (2016: 6%).

Capital Expenditures and Capital Commitments

The Group generally finances its capital expenditures by internally-generated resources, long-term bank loans and finance leases. During the Period, the Group only had very limited investment in additional machinery and equipment. As at 30 September 2017 and 31 March 2017, the Group did not have capital commitments relating to the purchase of machinery and equipment.

In August 2017 and November 2017, a wholly owned subsidiary of the Company as seller, entered into agreements to dispose of two batches of equipment at a total consideration of EUR4,120,000 to an independent third party. Details should be referred to the announcements of the Company dated 22 August 2017 and 3 November 2017. These agreements are expected to complete during the second half of this financial year.

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\$86 million (2016: HK\$233 million). Together with short-term bank loans and overdrafts facilities available, the Group has been financially sound in its daily operations throughout the Period.

Cash and Bank Balances

As at 30 September 2017, the Group had a total cash and bank balances of approximately HK\$315 million (31 March 2017: HK\$369 million) mainly denominated in Hong Kong dollars and Macau patacas. The decrease in cash and bank balances was mainly due to the repayment of borrowings during the Period.

Borrowings

As at 30 September 2017, the Group had total borrowings of approximately HK\$149 million (31 March 2017: HK\$252 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\$64 million (31 March 2017: HK\$137 million) were short-term bank loans and approximately HK\$50 million (31 March 2017: HK\$62 million) was the current portion of long-term bank loans and obligations under finance lease with maturity dates within 12 months.

Gearing Ratio and Total Equity

As at 30 September 2017, the Group's net gearing ratio (net borrowings divided by total equity) was 0 (31 March 2017: same) as the Group had a net cash position. 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 2017, the Group's net current assets were approximately HK\$130 million (31 March 2017: HK\$169 million) and current ratio (current assets divided by current liabilities) was 1.4 times (31 March 2017: 1.4 times). The Group's total equity as at 30 September 2017 was approximately HK\$686 million (31 March 2017: HK\$696 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 Euro 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 2017, 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 2017: 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 2017, the net book amount of plant and equipment held under finance leases and pledged for long term bank loans amounted to approximately HK\$117 million (31 March 2017: HK\$124 million) and approximately HK\$122 million (31 March 2017: HK\$123 million), respectively. None of the banking facilities of the Group were secured by the Group's bank deposits (31 March 2017: none).

HUMAN RESOURCES

As at 30 September 2017, the Group had around 200 employees (31 March 2017: 210). 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).

OTHER INFORMATION

Disclosure of Interests

At 30 September 2017, 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 2017 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	1,200,000,000	71.43%	Trustee
First Names (NTC) Trustees Asia Limited (formerly known as Nautilus Trustees Asia Limited)	1,200,000,000	71.43%	Trustee

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 First Names (NTC) Trustees Asia Limited (formerly known as Nautilus Trustees Asia Limited) as trustee of a discretionary trust set up by Mr. Lau Chun Ming.

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, 27 November 2017

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 2017

	Note	Unaudited Six months ended 30 September	
		2017 HK\$'000	2016 HK\$'000
Revenue	5	285,979	478,503
Cost of sales	6	(255,461)	(419,881)
Gross profit		30,518	58,622
Other income and gain, net	7	9,221	85
Administrative expenses	6	(29,885)	(20,908)
Operating profit		9,854	37,799
Finance income	8	1,293	939
Finance costs	8	(2,661)	(5,217)
Finance costs, net	8	(1,368)	(4,278)
Profit before income tax		8,486	33,521
Income tax expense	9	(1,455)	(2,691)
Profit and total comprehensive income for the period		7,031	30,830
Profit and total comprehensive income attributable to equity holders of the Company		7,031	30,830
		HK cents	HK cents
Basic and diluted earnings per share	10	0.42	1.84

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 SEPTEMBER 2017

		Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
	Note		
ASSETS			
Non-current assets			
Plant and equipment	12	619,003	633,527
Deferred income tax assets		8,059	917
Available-for-sale financial assets		19,750	19,750
Deposits and prepayments		2,749	765
		<u>649,561</u>	<u>654,959</u>
Current assets			
Trade and retention receivables	13	115,445	157,450
Deposits, prepayments and other receivables		1,238	6,226
Amounts due from customers for contract work	14	1,548	18,614
Income tax recoverable		18	18
Restricted bank balances	15	3,000	20,864
Cash and cash equivalents (excluding bank overdraft)		312,014	347,943
		<u>433,263</u>	<u>551,115</u>
Total assets		<u>1,082,824</u>	<u>1,206,074</u>
EQUITY			
Capital and reserves			
Share capital	16	4,200	4,200
Reserves		682,262	692,031
Total equity		<u>686,462</u>	<u>696,231</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	19	34,394	53,120
Deferred income tax liabilities		55,299	53,453
Amount due to a director		3,000	20,864
		<u>92,693</u>	<u>127,437</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30 SEPTEMBER 2017

		Unaudited	Audited
		30 September	31 March
		2017	2017
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Current liabilities			
Trade and retention payables	17	42,650	79,534
Accruals and other payables	18	24,476	13,969
Amounts due to customers for contract work	14	108,723	82,707
Borrowings	19	114,117	198,621
Income tax payable		13,703	7,575
		303,669	382,406
Total liabilities		396,362	509,843
Total equity and liabilities		1,082,824	1,206,074

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Unaudited				
	Share capital	Share premium	Other reserves	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 11</i>)	–	–	–	(29,400)	(29,400)
At 30 September 2016	<u>4,200</u>	<u>194,087</u>	<u>10,500</u>	<u>447,694</u>	<u>656,481</u>
At 1 April 2017	4,200	194,087	10,500	487,444	696,231
Comprehensive income					
Profit for the period	–	–	–	7,031	7,031
Contribution by and distribution to owners					
Dividends relating to the year ended 31 March 2017 (<i>note 11</i>)	–	–	–	(16,800)	(16,800)
At 30 September 2017	<u>4,200</u>	<u>194,087</u>	<u>10,500</u>	<u>477,675</u>	<u>686,462</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Unaudited	
		Six months ended	
		30 September	
	<i>Note</i>	2017	2016
		HK\$'000	HK\$'000
Cash flows from operating activities			
Net cash generated from operations		69,532	238,785
Interest paid		(1,650)	(3,104)
Interest received		1,293	939
Interest element of finance lease payments	<i>8</i>	(869)	(1,959)
Decrease/(increase) in restricted bank balances	<i>15</i>	17,864	(154)
Hong Kong profits tax paid		(623)	(1,512)
		<hr/>	<hr/>
Net cash generated from operating activities		85,547	232,995
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of plant and equipment		(338)	(7,889)
Proceeds from sales of plant and equipment		98	14
Decrease in short-term bank deposits		-	17,797
		<hr/>	<hr/>
Net cash (used in)/generated from investing activities		(240)	9,922
		<hr/>	<hr/>
Cash flows from financing activities			
Capital element of finance lease payments		(12,964)	(23,741)
Drawdown of long-term bank loans		559	30,585
Repayment of long-term bank loans		(18,301)	(42,745)
Drawdown of short-term bank loans		33,192	-
Repayment of short-term bank loans		(105,716)	-
Repayment to a director	<i>15</i>	(18,006)	-
		<hr/>	<hr/>
Net cash used in financing activities		(121,236)	(35,901)
		<hr/>	<hr/>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Unaudited	
	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Net (decrease)/ increase in cash and cash equivalents	(35,929)	207,016
Cash and cash equivalents at beginning of the period	<u>347,943</u>	<u>183,057</u>
Cash and cash equivalents at end of the period	<u>312,014</u>	<u>390,073</u>
Analysis of cash and cash equivalents		
Cash and cash equivalents	<u>312,014</u>	<u>390,073</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information and key events

The Company was incorporated in the Cayman Islands 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 and its subsidiaries (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 27 November 2017.

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 2017 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 2017, 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 2017, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ended 31 March 2017 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 2017.

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 2017.

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	
	2017	2016
	HK\$'000	HK\$'000
Foundation works and ancillary services	285,979	478,503

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	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of sales		
Construction contracts costs (<i>note (a)</i>)	237,473	400,464
Depreciation	14,342	13,942
Repair and maintenance	3,261	5,233
Others	385	242
	255,461	419,881
Administrative expenses		
Staff costs, including directors' emoluments (<i>note (b)</i>)	9,997	9,151
Depreciation	273	254
Operating leases rental in respect of		
– Office premises and storage premises	4,789	3,533
– Directors' quarters	1,084	1,084
Professional fees	4,003	2,256
Exchange loss	6,779	154
Others	2,960	4,476
	29,885	20,908
Total cost of sales and administrative expenses	285,346	440,789

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 **48,205** 65,041
Less: amount included in construction contracts costs or capitalised in work-in progress **(38,208)** (55,890)
9,997 9,151

7 Other income and gain, net

	Unaudited	
	Six months ended	
	30 September	
	2017	2016
	HK\$'000	<i>HK\$'000</i>
Other (loss)/gain:		
– Gain on disposal of plant and equipment	22	14
– Write-off of plant and equipment	(172)	–
	(150)	14
Other income:		
– Government grant	71	71
– Reimbursement from the deed of indemnity	9,300	–
	9,371	71
	9,221	85

The reimbursement from the deed of indemnity represented the shortfall undertaken by Mr. Lau Chun Ming in relation to an arbitration attributable to a dispute on the final payment of a contract completed before the listing of the shares of the Company. During the Period, HK\$9,300,000 was demanded by the Group to Mr. Lau Chun Ming upon the interim award of the arbitration was issued and a shortfall was confirmed. The reimbursement is recorded as other income as to compensate the corresponding amount written off from contracting-work-in-progress to the costs of sales during the Period.

Details can be referred to the note to the financial statements in the Annual Report under “contracting-work-in-progress” and the announcement of the Company dated 1 August 2017.

8 Finance income and costs

	Unaudited	
	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
Finance income:		
– Interest income on bank deposits	1,293	939
Finance costs:		
– Interest expense on bank loans	(1,650)	(3,104)
– Interest expense on obligations under finance leases	(869)	(1,959)
– Interest expense on amount due to a director	(142)	(154)
	(2,661)	(5,217)
Finance costs, net	(1,368)	(4,278)

9 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5%, on the estimated assessable profit for the Period and the Previous Period.

	Unaudited	
	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current income tax	6,751	1,019
Deferred income tax	(5,296)	1,672
	1,455	2,691

10 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.

	Unaudited Six months ended 30 September	
	2017	2016
Profit attributable to equity holders of the Company (HK\$'000)	7,031	30,830
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	<u>1,680,000</u>	<u>1,680,000</u>
Basic earnings per share (HK cents)	<u>0.42</u>	<u>1.84</u>

(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.

11 Dividends

The Board resolved not to declare interim dividend for the Period (2016: 0.5 HK cents).

Final dividends of HK\$29,400,000 relating to the year ended 31 March 2016 and HK\$16,800,000 relating to the year ended 31 March 2017 were declared in September 2016 and September 2017, respectively.

12 Plant and equipment

	Unaudited	
	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
At 1 April	633,527	605,566
Additions	338	8,183
Disposal	(76)	–
Write-off	(171)	–
Depreciation	(14,615)	(14,196)
	619,003	599,553

13 Trade and retention receivables

	Unaudited	Audited
	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
Trade receivables	58,093	105,331
Retention receivables	57,352	52,119
	115,445	157,450

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.

13 Trade and retention receivables (continued)

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

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
1 to 30 days	58,093	59,606
31 to 60 days	–	45,725
	58,093	105,331

As at 30 September 2017 and 31 March 2017, there were no retention receivables which were past due.

14 Contracting work-in-progress

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	1,412,712	1,169,814
Progress billings to date	(1,519,887)	(1,233,907)
	(107,175)	(64,093)

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

Due from customers for contract work	1,548	18,614
Due to customers for contract work	(108,723)	(82,707)
	(107,175)	(64,093)

15 Restricted bank balances

As at 30 September 2017 and 31 March 2017, restricted bank balances represents a deposit placed by a director. In June 2017, the board resolved to partially return HK\$17 million out of such deposit of HK\$20 million together with all the bank interests earned by the deposit to the controlling shareholders in view of the updated tax positions. Details can be referred to the “events after the reporting period” in the Directors’ Report of the Annual Report.

16 Share capital and reserves

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

17 Trade and retention payables

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Trade payables	29,679	68,372
Retention payables	12,971	11,162
	42,650	79,534

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

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
0 to 30 days	28,819	67,127
31 to 60 days	23	387
61 to 90 days	–	28
91 to 180 days	7	–
More than 365 days	830	830
	29,679	68,372

18 Accruals and other payables

Accruals and other payables mainly represent the final dividend of HK\$16,800,000 declared in September 2017 relating to the year ended 31 March 2017 (31 March 2017: nil), the accruals and other payables for wages, legal and professional fees and other miscellaneous expenses.

19 Borrowings

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Non-current		
Obligations under finance leases	17,602	26,259
Long-term bank loans	16,792	26,861
	34,394	53,120
Current		
Short-term bank loans	64,409	136,933
Current portion of long-term bank loans due for repayment within one year	29,062	36,735
Obligations under finance leases due for repayment within one year	20,646	24,953
	114,117	198,621
Total borrowings	148,511	251,741

20 Commitments

(a) Capital commitments

There were no capital commitments as at 30 September 2017 and 31 March 2017.

(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 2017 HK\$'000	Audited 31 March 2017 HK\$'000
No later than 1 year	10,650	6,932
Later than 1 year and no later than 5 years	6,903	1,805
	17,553	8,737

21 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	2016
	HK\$'000	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

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	
	2017	2016
	HK\$'000	HK\$'000
Interest expenses payable to a director	142	154

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

21 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	
	2017	2016
	HK\$'000	HK\$'000
Fees	360	360
Salaries	1,466	1,466
Directors' quarters	1,084	1,084
Employer's contribution to pension scheme	9	18
	2,919	2,928

(d) Balance – non-trade

	Unaudited	Audited
	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
Payable to a director:		
Mr. Lau Chun Ming	3,000	20,864