



LING YUI HOLDINGS LIMITED

凌銳控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 784

2 0 1 7

Interim Report

CONTENTS

Corporate Information	2
Condensed Combined Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Combined Statement of Financial Position	5
Condensed Combined Statement of Changes in Equity	7
Condensed Combined Statement of Cash Flows	8
Notes to the Unaudited Condensed Combined Interim Financial Statements	10
Management Discussion and Analysis	23
Other Information	27



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lee Kim Ming (*Chairman*)

Mr. Chan Siu Hung (*Chief Executive Officer*)

Independent Non-executive Directors

Mr. Chong Kam Fung

Mr. Chung Yan Yee Andrew

Mr. Ho Chun Chung Patrick

Mr. Shi Wai Lim William

BOARD COMMITTEES

Audit Committee

Mr. Ho Chun Chung Patrick (*Chairman*)

Mr. Chong Kam Fung

Mr. Chung Yan Yee Andrew

Mr. Shi Wai Lim William

Remuneration Committee

Mr. Chung Yan Yee Andrew (*Chairman*)

Mr. Lee Kim Ming

Mr. Chong Kam Fung

Mr. Ho Chun Chung Patrick

Mr. Shi Wai Lim William

Nomination Committee

Mr. Lee Kim Ming (*Chairman*)

Mr. Chong Kam Fung

Mr. Chung Yan Yee Andrew

Mr. Ho Chun Chung Patrick

Mr. Shi Wai Lim William

Auditor

Deloitte Touche Tohmatsu

35/F, One Pacific Place

88 Queensway

Hong Kong

Company Secretary

Ms. Tam Kwai Heung

Authorised Representatives

Mr. Lee Kim Ming

Ms. Tam Kwai Heung

Registered Office in the Cayman Islands

P.O. Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Unit 1702-03, Stelux House

698 Prince Edward Road East

San Po Kong

Kowloon

Hong Kong

Compliance Adviser

Frontpage Capital Limited

26/F, Siu On Centre

188 Lockhart Road

Wan Chai, Hong Kong

Legal Advisers as to Hong Kong Laws

CFN Lawyers in association with

Broad and Bright

Room Nos. 4101-04, 41/F

Sun Hung Kai Centre

30 Harbour Road

Wan Chai, Hong Kong

CORPORATE INFORMATION

Principal Share Registrar and Transfer Office in the Cayman Islands

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

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Dah Sing Bank, Limited
Bank of Communications Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited

Company Website

www.lingyui.com.hk

Stock Code

784

CONDENSED COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		Six Months ended 30 September	
	Notes	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	5	151,720	74,162
Direct costs		(126,478)	(56,255)
Gross profit		25,242	17,907
Other income	6	1,033	3,304
Other gains and losses	6	150	–
Administrative expenses		(7,869)	(5,341)
Listing expenses		(4,673)	–
Finance costs	7	(570)	(241)
Profit before taxation	8	13,313	15,629
Income tax expense	9	(3,016)	(2,436)
Profit and total comprehensive income for the period		10,297	13,193
Profit and total comprehensive income attributable to:			
Owners of the Company		8,800	11,874
Non-controlling interests		1,497	1,319
		10,297	13,193
		HK cents	HK cents
Earnings per share attributable to owners of the Company			
– Basic and diluted	11	N/A	N/A

CONDENSED COMBINED 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)
Non-current assets			
Property and equipment	12	26,547	20,199
Deposits	14	907	1,072
		27,454	21,271
Current assets			
Trade receivables	13	21,680	9,345
Deposits, prepayments and other receivables	14	11,269	6,787
Amounts due from customers for contract work	15	69,999	53,379
Amount due from a director	16	19,997	17,157
Pledged bank deposits	17	2,000	–
Bank balances and cash	17	18,479	33,162
		143,424	119,830
Current liabilities			
Trade payables	18	38,030	41,770
Other payables and accrued charges	19	21,382	10,737
Obligations under finance leases	20	8,449	7,180
Amounts due to customers for contract work	15	1,388	727
Bank borrowings	21	14,491	6,143
Tax payable		5,772	3,989
		89,512	70,546
Net current assets		53,912	49,284
Total assets less current liabilities		81,366	70,555
Non-current liabilities			
Deferred tax liabilities		2,136	1,668
Obligations under finance leases	20	2,717	2,671
		4,853	4,339
Net assets		76,513	66,216

CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
<i>Notes</i>		
Capital and reserves		
Issued share capital	148	148
Reserves	68,993	60,193
Equity attributable to owners of the Company	69,141	60,341
Non-controlling interests	7,372	5,875
Total equity	76,513	66,216



CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company			Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Issued share capital HK\$'000	Other reserve HK\$'000	Accumulated profits HK\$'000			
Balance at 1 April 2016 (audited)	1	(1,964)	34,330	32,367	2,893	35,260
Transfer as part of the reorganisation (Notes 2(v) and 2(vi))	146	(146)	-	-	-	-
Issue of shares	1	-	-	1	-	1
Profit and total comprehensive income for the year	-	-	27,973	27,973	2,982	30,955
At 31 March 2017 (audited)	148	(2,110)	62,303	60,341	5,875	66,216
Profit and total comprehensive income for the period	-	-	8,800	8,800	1,497	10,297
At 30 September 2017 (unaudited)	148	(2,110)	71,103	69,141	7,372	76,513

CONDENSED COMBINED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before taxation	13,313	15,629
Adjustments for:		
Depreciation of property and equipment	2,781	3,347
Gain on disposal of property and equipment	(150)	–
Interest expense	570	241
Operating cash flows before movements in working capital	16,514	19,217
Increase in amounts due from/(to) customers for contract work, net	(15,959)	(5,849)
Increase in trade receivables	(12,335)	(622)
(Increase)/decrease in other receivables, deposits and prepayments	(5,917)	3,069
Decrease in trade payables	(3,740)	(1,310)
Increase in other payables and accrued charges	10,645	549
Cash (used in)/generated from operations	(10,792)	15,054
Income tax paid	(765)	(718)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(11,557)	14,336

CONDENSED COMBINED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
INVESTING ACTIVITIES		
Advance to a director	(5,700)	(8,922)
Repayment from a director	2,860	1,030
Placement of pledged bank deposits	(2,000)	–
Purchases of property and equipment	(3,355)	(1,776)
Deposits paid for acquisition of property and equipment	(822)	–
Proceeds from disposals of property and equipment	3,650	–
NET CASH USED IN INVESTING ACTIVITIES	(5,367)	(9,668)
FINANCING ACTIVITIES		
Interest paid	(570)	(241)
Repayment of bank borrowings	(16,852)	(1,135)
New bank borrowings raised	25,200	7,827
Repayment of finance leases	(5,537)	(3,749)
NET CASH FROM FINANCING ACTIVITIES	2,241	2,702
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(14,683)	7,370
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	33,162	4,593
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	18,479	11,963

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. GENERAL

Ling Yui Holdings Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 24 January 2017. The address of the Company's registered office and the principal place of business is disclosed in the section headed "Corporate Information". The immediate holding company of the Company is Simple Joy Investments Limited ("**Simple Joy**"), which is incorporated in the British Virgin Islands ("**BVI**") and is owned by Mr. Lee Kim Ming ("**Mr. Lee**").

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in provision of foundation engineering services in Hong Kong.

The shares of the Company (the "**Share(s)**") have been listed on the Main Board of the The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 December 2017 (the "**Listing**").

The functional currency of companies comprising the Group is Hong Kong Dollars ("**HK\$**").

2. REORGANISATION

Historically, Mr. Lee owned 100% equity interest in Ming Lee Foundation Company Limited ("**Ming Lee Foundation**") and 50% equity interest in Ming Lee Engineering Company Limited ("**Ming Lee Engineering**"). Remaining 50% equity interest in Ming Lee Engineering are owned by Ms. Yeung Yuen Man ("**Ms. Yeung**"), spouse of Mr. Lee, who held the interest of Ming Lee Engineering on behalf of Mr. Lee. On 27 August 2015, Mr. Chan Siu Hung ("**Mr. Chan**") entered into a sale and purchase agreement with Mr. Lee to acquire 10% interest of Ming Lee Foundation at a cash consideration of HK\$5,000,000 from Mr. Lee. Upon completion of the transfer, Mr. Chan owned 10% equity interest in Ming Lee Foundation. Before the reorganisation ("**Reorganisation**") as defined below, Ming Lee Engineering and Ming Lee Foundation, the operating subsidiaries, were controlled Mr. Lee.

In preparation of the Listing of the Company, the companies comprising the Group underwent the Reorganisation as described below.

- (i) Simple Joy was incorporated on 3 January 2017 in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of United States Dollar ("**USD**") 1 each. One fully-paid ordinary share of Simple Joy, representing the entire issued share capital of Simple Joy, was allotted and issued at par to Mr. Lee on 18 January 2017.
- (ii) Simply Marvel Limited ("**Simply Marvel**") was incorporated on 3 January 2017 in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of USD 1 each. One fully-paid ordinary share of Simply Marvel, representing the entire issued share capital of Simply Marvel, was allotted and issued at par to Mr. Chan on 18 January 2017.
- (iii) Smart Sage Limited ("**Smart Sage**") was incorporated on 3 January 2017 in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of United States Dollar USD 1 each. One share of Smart Sage representing the entire issued share capital of Smart Sage, was allotted and issued at par to Simple Joy on 18 January 2017.

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

- (iv) Southern Sun Investments Limited ("**Southern Sun**") was incorporated on 3 January 2017 in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of USD 1 each. 90 and 10 shares of Southern Sun were allotted and issued at par to Simple Joy and Simply Marvel, an entity incorporated in the BVI with limited liability and owned by Mr. Chan, respectively, on 18 January 2017.
- (v) The Company was incorporated on 24 January 2017 in the Cayman Islands with limited liability and with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One nil-paid share of the Company was allotted and issued to the initial subscriber and was subsequently transferred to Simple Joy on 24 January 2017.
- (vi) On 22 March 2017, Mr. Lee acquired one share in Ming Lee Engineering from Ms. Yeung, at a cash consideration of HK\$1. On 30 March 2017, Smart Sage acquired the entire equity interest of Ming Lee Engineering from Mr. Lee in consideration of the allotment and issuance of 9,999 shares of Smart Sage to Simple Joy. Upon completion of the transfer, Ming Lee Engineering became a wholly-owned subsidiary of Smart Sage.
- (vii) On 30 March 2017, Southern Sun acquired 90% and 10% equity interest of Ming Lee Foundation from Mr. Lee and Mr. Chan in consideration of the allotment and issuance of 8,991 and 999 shares of Southern Sun to Simple Joy and Simply Marvel, respectively. Upon completion of the transfer, Ming Lee Foundation become a wholly-owned subsidiary of Southern Sun.
- (viii) On 4 December 2017, the Company acquired 90% equity interest in Southern Sun and entire equity interest in Smart Sage in consideration of the allotment and issue of 9,134 shares of the Company to Simple Joy and the Company acquired 10% equity interest in Southern Sun on consideration of the allotment and issue of 865 shares of the Company to Simply Marvel. Upon completion of the transfer, Southern Sun and Smart Sage became the wholly-owned subsidiaries of the Company.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 4 December 2017 and Ming Lee Foundation and Ming Lee Engineering are controlled by Mr. Lee before and after the Reorganisation.

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

3. BASIS OF PREPARATION AND PRESENTATION

The condensed combined interim financial statements have 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**”) and applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The interim condensed combined financial statements are unaudited but have been reviewed by the Company’s audit committee.

The financial information relating to the interim condensed combined statements of profit or loss and other comprehensive income, the interim condensed combined statements of changes in equity and the interim condensed combined statements of cash flows for the six months ended 30 September 2016 and 2017 includes the results of operation and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the periods or since their respective dates of incorporation or establishment where this is a shorter period. The interim condensed combined statement of the financial position as at 30 September 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at that date, taking into account the respective dates of incorporation. The Group’s financial statements are presented in Hong Kong dollar, which is the Group’s functional and presentation currency, and all values are rounded to the nearest thousands (HK\$’000), except unless otherwise indicated.

The condensed combined interim financial statements should be read in conjunction with the Company’s combined financial statements for the year ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA, as set out in the prospectus of the company dated 13 December 2017 (the “**Prospectus**”).



NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

4. PRINCIPAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) The Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial period beginning on 1 April 2017 throughout the period:

HKFRS 12	Annual Improvements 2014-2016 Cycle (amendments)
HKAS 7	Disclosure Initiative (amendments)
HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (amendments)

The adoption of the above HKFRSs did not have any significant financial impact on the unaudited condensed combined financial statements.

(b) The following new standards and revisions to HKFRSs and interpretations (the "new and revised HKFRSs") which are not yet effective:

Annual Improvements Project – HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle (amendments) ¹
HKFRS 2	Classification and Measurements of Share-based Payment Transactions (amendments) ¹
HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (amendments) ¹
HKFRS 9	Financial Instruments (new standard) ¹
HKFRS 15	Revenue from Contracts with Customers (new standard) ¹
HKFRS 15	Clarifications to HKFRS 15 (amendments) ¹
HKAS 40	Transfers of Investment Property (amendments) ¹
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration (new interpretation) ¹
HKFRS 9	Prepayment Features with Negative Compensation (amendments) ²
HKFRS 16	Leases (new standard) ²
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments (new interpretation) ²
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments) ³

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

The Group will apply the above HKFRSs when they become effective. The Group is in the process of making an assessment of the impact of the above HKFRSs.

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

5. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable from the foundation engineering services provided by the Group to external customers. The Group's revenue is solely derived from foundation engineering services in Hong Kong. For the purpose of resources allocation and performance assessment, the chief operating decision maker reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies of the Group. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and all the non-current assets of the Group are located in Hong Kong.

Information about major customers

Revenue from customers contributing over 10% of the Group's total revenue during the period are as follows:

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Customer A	66,902	N/A ¹
Customer B	42,905	18,153
Customer C	N/A ¹	55,121

¹ The corresponding revenue did not contribute over 10% of the Group's total revenue.

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

6. OTHER INCOME AND OTHER GAINS AND LOSSES

Other income

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Rental income from machineries	–	3,179
Income from sale of rock	974	–
Sundry income	59	125
	1,033	3,304

Other gains and losses

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Gain on disposal of property and machinery equipment	150	–
	150	–

7. FINANCE COSTS

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on:		
Obligations under finance leases	276	198
Bank borrowings	294	43
	570	241

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

8. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	30	30
Depreciation of property and equipment	2,781	3,347
Directors' remuneration	841	790
Other staff costs		
Salaries and other benefits	18,463	8,851
Retirement benefits scheme contributions	661	335
Total staff costs	19,965	9,976
Minimum lease payments under operating leases in respect of:		
– land and buildings	881	709
– machineries and construction equipments	1,427	511
	2,308	1,220

9. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Hong Kong Profits Tax:		
Current tax	2,548	2,436
Deferred tax	468	–
	3,016	2,436

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2017 and 2016.

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the current period (six months ended 30 September 2016: Nil)

11. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the result of the Group for the six months ended 30 September 2017 that is prepared on a combined basis as set out in Note 3 to the unaudited condensed combined interim financial statements.

12. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired certain items of property, plant and equipment of approximately HK\$11,029,000 (six months ended 30 September 2016: HK\$13,102,000).

During the six months ended 30 September 2017, the Group disposed machinery at cost of approximately HK\$680,000 (six months ended 30 September 2016: Nil) and recognised a gain of approximately HK\$150,000 during the six months ended 30 September 2017 (six months ended 30 September 2016: Nil) in the condensed combined statement of profit or loss and other comprehensive income.

13. TRADE RECEIVABLES

The Group grants credit terms of 7 to 30 days to its customers from the date of invoices on progress payments of contract works. An ageing analysis of the trade receivables presented based on the invoice date at the end of the reporting period.

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
0 – 30 days	21,419	9,177
31 – 60 days	–	168
61 – 90 days	–	–
91 – 180 days	261	–
Over 180 days	–	–
	21,680	9,345

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Deposits for acquisition of property and equipment	622	787
Deposits	5,017	4,462
Receivable from the proceeds of disposal of property and equipment	–	1,600
Other receivables	290	240
Prepayments	108	95
Deferred listing expenses	6,139	675
Total	12,176	7,859
Presented as non-current assets	907	1,072
Presented as current assets	11,269	6,787
Total	12,176	7,859

15. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised loss	251,331	251,199
Less: Progress billings	(182,720)	(198,547)
Total	68,611	52,652
Analysed as:		
Amounts due from customers for contract work	69,999	53,379
Amounts due to customers for contract work	(1,388)	(727)
Total	68,611	52,652

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

16. AMOUNTS DUE FROM A DIRECTOR

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Mr. Lee	19,997	17,157

Details of amount due from a director, which is non-trade, unsecured, interest-free and repayable on demand.

The amounts due from a director was fully settled before Listing date.

17. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 30 September 2017, pledged bank deposits represent deposits pledged to a bank to secure the banking facilities granted to the Group, and carried with prevailing market interest rate of 0.01% per annum.

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate of 0.01% per annum.

18. TRADE PAYABLES

The credit period is 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
0 – 30 days	28,769	20,064
31 – 60 days	295	17,714
Over 60 days	8,966	3,992
	38,030	41,770

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

19. OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Accrued charges	4,549	3,626
Accrued listing expenses	4,600	–
Receipts in advance	–	300
Retention payable	12,233	6,811
	21,382	10,737

20. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its machineries and motor vehicles under finance leases with terms ranged from two to four years. The interest rates were ranged from 3.0% to 6.8% and 3.1% to 6.0% per annum as at 30 September 2017 and 31 March 2017, respectively.

The Group's obligations under finance leases were secured by the lessor's charge over the machineries and motor vehicles and was guaranteed by Mr. Lee before Listing, subsequently was guaranteed by the Company.

21. BANK BORROWINGS

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Guaranteed bank borrowings repayable within one year		
– Secured	–	–
– Unsecured	14,491	6,143
	14,491	6,143

The bank borrowings contain repayment on demand clause and repayable within one year based on scheduled repayment dates set out in the loan agreements.

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

22. ISSUED SHARE CAPITAL

The issued share capital as at 30 September 2017 and 31 March 2017 represented the combined share capital of (i) 1 share of the Company of HK\$0.01; (ii) 10,000 shares of Smart Sage of USD1 each; and (iii) 9,000 shares of Southern Sun of USD1, each held by Mr. Lee.

The Company

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 24 January 2017 (date of incorporation), 31 March 2017 and 30 September 2017	38,000,000	380,000
Issued and fully paid:		
At 24 January 2017 (date of incorporation), 31 March 2017 and 30 September 2017	1	-

23. CAPITAL COMMITMENTS

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the Condensed combined financial statements	3,378	4,201

24. RELATED PARTY TRANSACTIONS

Mr. Lee provided unlimited personal guarantees to banks in respect of the Group's bank borrowings as at 31 March 2017 and 30 September 2017 and obligations under finance leases as at 31 March 2017 and 30 September 2017.

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

Compensation of key management personnel

The remuneration of directors and other members of key management during the six months ended 30 September 2017 and 2016 were as follows:

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short-term benefits	1,662	1,308
Post-employment benefits	45	42
	1,707	1,350

25. SUBSEQUENT EVENTS

On 4 December 2017, written resolutions of the shareholders of the Company was passed to approve the matters set out in the paragraph headed "Written resolutions of our existing Shareholders passed on 4 December 2017" in Appendix IV of the Prospectus. It was resolved, among other things:

- (i) its authorised share capital increased from HK\$380,000 divided into 38,000,000 shares of the Company of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 shares of the Company of HK\$0.01 each;
- (ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to the Prospectus; and
- (iii) conditional upon the share premium account of the Company being credited as a result of the offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK\$6,599,900 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 659,990,000 shares of the Company for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 4 December 2017.

On 6 December 2017, the Company declared dividends of HK\$21,881,000 to its shareholders. Dividends attributable to Mr. Lee of approximately HK\$19,988,000 are settled through the current account with him.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a Hong Kong-based subcontractor principally providing foundation works including ELS works, pile cap works and pile construction, site formation works and other ancillary services such as road and drainage works for foundation projects in the private sector.

OUTLOOK

The Shares of the Company were listed on the Main Board of the Stock Exchange on 28 December 2017 (the “**Listing Date**”) by way of public offer and placing. The Group always strives to improve its operation efficiency and profitability of its business. The Group plan to expand its fleet of machinery and equipment, which enhance the basis of its technical capability to bid future projects. The Group will also proactively seek potential business opportunities that will broaden the sources of income and enhance value to the shareholders. The net proceeds from the share offer of the Shares thereby provide financial resources to the Group to meet and achieve its business opportunities and strategies which will further strengthen the Group’s market position in foundation and site formation works.

FINANCIAL REVIEW

Revenue

The Group’s revenue increased by approximately 104.4% from approximately HK\$74.2 million for the six months ended 30 September 2016 to approximately HK\$151.7 million for the six months ended 30 September 2017. Such increase was mainly resulting from the increase in the number and size of foundation projects undertaken and the increase in value of works done.

Direct Costs

The Group’s direct costs for the six months ended 30 September 2017 was approximately HK\$126.5 million, representing an increase of approximately 124.7% from approximately HK\$56.3 million for the six months ended 30 September 2016, mainly attributable to the increase in value of works subcontracted and construction materials consumed.

Gross Profit and Gross Profit Margin

The Group’s gross profit for the six months ended 30 September 2017 were approximately HK\$25.2 million, representing an increase of approximately 40.8% from approximately HK\$17.9 million for the six months ended 30 September 2016. The Group’s gross profit margin for the six months ended 30 September 2017 was approximately 16.6%, representing a decrease of approximately 7.5% as compared to approximately 24.1% for six months ended 30 September 2016. Such decrease were primarily due to competitive project pricing arising from intense market competition and the increase in sizeable projects undertaken which the Group is willing to bid at relatively lower profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

The Group's administrative expenses for the six months ended 30 September 2017 were approximately HK\$7.9 million, representing an increase of approximately 49.1% from approximately HK\$5.3 million for the six months ended 30 September 2016, primarily as a result of the increase in staff costs due to the increase in the number of back office staff to support the business growth..

Listing Expenses

During the six months ended 30 September 2017, the Group recognised non-recurring listing expenses under accrual basis of approximately HK\$4.7 million, as expenses in connection with the Listing on the Main Board of the Stock Exchange.

Profit and Total Comprehensive Income for the Period Attributable to Owners of the Company

For the six months ended 30 September 2017, the Group recorded a net profit of approximately HK\$10.3 million as compared to a net profit of approximately HK\$13.2 million for the same period in 2016. Set aside the listing expenses, the Group's net profit for the six months ended 30 September 2017 would be approximately HK\$15.0 million (six months ended 30 September 2016: HK\$13.2 million). The favourable result was mainly attributable to the increased number of foundation projects.

Comparison Between Business Objectives with Actual Business Progress

The Company has been listed on the Main Board of the Stock Exchange since 28 December 2017. No proceeds was available as at 30 September 2017. The Group is in its preliminary stage of implementing its business objectives and strategies as disclosed in the Prospectus. The Group will strive to achieve the milestone events as stated in the Prospectus.

Capital Structure, Liquidity and Financial Resources

The Shares were successfully listed on Main Board of the Stock Exchange on 28 December 2017. There has been no change in the capital structure of the Group since then. The capital of the Group only comprises of ordinary shares.

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from shareholders.

As at 30 September 2017, the Group had cash and bank balances of approximately HK\$18.5 million (31 March 2017: HK\$33.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2017, the Group's total equity attributable to owners of the Company amounted to approximately HK\$76.5 million (31 March 2017: HK\$66.2 million). As of the same date, the Group's total debt, comprising bank borrowings and liability of the finance lease obligations, amounted to approximately HK\$94.3 million (31 March 2017: HK\$74.9 million).

On 28 December 2017, the Company was listed on the Main Board by way of public offer and placing and completed the public offer of 60,000,000 Shares and placing of 140,000,000 Shares by offer price of HK\$0.5 per Offer Share. The net proceeds from the Listing amounted to approximately HK\$52.2 million. The Directors believe that with the new capital from the share offer, the Group is in a healthy financial position to expand its business and achieve its business objectives.

BORROWINGS AND GEARING RATIO

As at 30 September 2017, the Group had borrowings of approximately HK\$25.7 million which was denominated in Hong Kong Dollars (31 March 2017: HK\$16.0 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 30 September 2017, the gearing ratio of the Group, calculated as the total debt divided by the total equity, was approximately 123.3% (31 March 2017: 113.1%).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND AFFILIATED COMPANIES

In preparation for the Listing, the Company underwent the Reorganisation, the detail of which are set out in the section headed "History, Development and Reorganisation" of the Prospectus.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the six months ended 30 September 2017.

CHARGE ON GROUP ASSETS

As at 30 September 2017, the Group has pledged its machineries and construction equipment with an aggregate net book value of HK\$16,649,000 (31 March 2017: HK\$12,175,000) and motor vehicles with an aggregate net book value of HK\$2,408,000 (31 March 2017: HK\$3,615,000).

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations and borrowings of the Group were mainly transacted in Hong Kong Dollars which is the presentation currency of the Group. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CONTINGENT LIABILITIES

As at 30 September 2017, the Group did not have any material contingent liabilities (31 March 2017: Nil).

COMMITMENTS

The Group is the lessee in respect of office premises, quarters and warehouses under operating leases. As at 30 September 2017, the Group's total future minimum lease payments under non-cancellable operating leases were approximately HK\$2.6 million (31 March 2017: HK\$3.1 million).

SEGMENT INFORMATION

The Group principally operated in one business segment, which is the foundation subcontractors in the foundation and site formation industry.

INFORMATION ON EMPLOYEES

As at 30 September 2017, the Group had 101 full-time employees working in Hong Kong (As at 31 March 2017: 95). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees. The total staff cost (including Director's emoluments and mandatory provident funds contributions) for the six months ended 30 September 2017 amounted to approximately HK\$20.0 million (for the six months ended 30 September 2016: HK\$9.9 million).

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2017.

EVENT AFTER THE REPORTING PERIOD

The Shares of the Company were listed on the Stock Exchange on 28 December 2017.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Shares of the Company were only listed on Stock Exchange on 28 December 2017 and therefore, the respective Division 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO"), Section 352 of the SFO were not applicable as at 30 September 2017.

As at the date of this report, the interests or short positions of each of the Directors and the chief executive in the shares of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange are set out as follows:

Long Position in shares and underlying shares of the Company

Name of Director	Capacity/Nature	Number of Shares held/ Interested	Approximate percentage of shareholding
Mr. Lee (<i>Note 1</i>)	Interested in a controlled corporation	542,910,000	67.86%
Mr. Chan (<i>Note 2</i>)	Interested in a controlled corporation	57,090,000	7.14%

Notes:

- (1) Mr. Lee beneficially owns the entire issued share capital of Simple Joy. Therefore, Mr. Lee is deemed, or taken to be, interested in all the Shares held by Simple Joy for the purpose of the SFO. Mr. Lee is the sole director of Simple Joy.
- (2) Mr. Chan beneficially owns the entire issued share capital of Simply Marvel. Therefore, Mr. Chan is deemed, or taken to be, interested in all the Shares held by Simply Marvel for the purpose of the SFO. Mr. Chan is the sole director of Simply Marvel.

Save as disclosed above, as at the date of this report, none of the Directors or chief executive of the Company had registered an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which he was taken or deemed to have under provision of the SFO) or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2017, the Shares of the Company were only listed on Stock Exchange on 28 December 2017. The respective Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable.

As at the date of this report, so far as is known to the Directors or chief executive of the Company, the following persons (other than Directors or chief executive of the Company), who had interests or short positions in the shares of the Company, the underlying shares and debentures of the Company and its associated corporation within the meaning of Part XV of the SFO which were required to be disclosed pursuant to the provision of Division 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein, were as follows:

Long Positions in Shares and Underlying Shares of the Company

Name	Capacity/ Nature of interest	Number of Shares held/ interested	Approximate percentage of shareholding
Simple Joy	Beneficial Owner	542,910,000	67.86%
Ms. Yeung (Note 1)	Interest of spouse	542,910,000	67.86%
Simply Marvel	Beneficial Owner	57,090,000	7.14%
Ms. Fu Jingyan (Note 2)	Interest of spouse	57,090,000	7.14%

Notes:

- (1) Ms. Yeung is the spouse of Mr. Lee. Under the SFO, Ms. Yeung is deemed to be interested in the same number of Shares in which Mr. Lee is interested.
- (2) Ms. Fu Jingyan is the spouse of Mr. Chan. Under the SFO, Ms. Fu Jingyan is deemed to be interested in the same number of Shares in which Mr. Chan is interested.

Save as disclosed above, as at the date of this report, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interest or short positions in the shares or underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save for the Reorganisation as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchase, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2017.

COMPETING BUSINESS

During the six months ended 30 September 2017, none of the Directors or the Controlling Shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Lee and Simple Joy (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the Deed of Non-competition with the Company (for itself and for the benefit of each other member of the Group) on 4 December 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the covenantors also gave certain non-competition undertakings under the Deed of Non-competition as set out in the section headed “Relationship With Our Controlling Shareholders – Non-competition undertaking” in the Prospectus.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code since the Listing Date up to the date of this report.

SHARE OPTION SCHEME

The Company’s share option scheme (the “**Share Option Scheme**”) was conditionally adopted on 4 December 2017. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to the Prospectus.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICE

The Company and the Board are devoted to achieve and maintain the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhance the shareholder value and safeguarding interest of the shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control stringent disclosure practices and transparency and accountability to all stakeholders.

The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules on the Stock Exchange. In the opinion of the Board, the Company has complied with the CG Code since the Listing Date up to the date of this report.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with paragraph C.3 of the CG Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process, the risk management and internal control system of the Group. The Audit Committee comprises four members, namely Mr. Ho Chun Chung Patrick (the chairman of the Audit Committee), Mr. Chong Kam Fung, Mr. Chung Yan Yee Andrew and Mr. Shi Wai Lim William, all of whom are independent non-executive Directors.

The Audit Committee has reviewed with the management of the Company on the accounting principles and practices adopted by the Group and this report, and is of the view that such results comply with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board
Ling Yui Holdings Limited
Lee Kim Ming
Chairman and Executive Director

Hong Kong, 12 January 2018

