SAM WOO CONSTRUCTION GROUP LIMITED

三和建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code : 3822)

INTERIM REPORT

2018/19

CONTENTS

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 2018 (the "Period"), together with the comparative figures for the corresponding period in 2017 (the "Previous Period"). These information should be read in conjunction with the annual financial statements for the year ended 31 March 2018.

HIGHLIGHTS

	1H 2018/19	1H 2017/18
Revenue	**HK$243 million**	HK$286 million
(Loss)/profit for the period	**HK$(4) million**	HK$7 million
(Loss)/earnings per share	**(0.25) HK cents**	0.42 HK cents
Interim dividend	**N/A**	N/A
	30 September 2018	**31 March 2018**
Net borrowings	**0**	0
Current ratio	**1.5 times**	1.7 times
Total equity	**HK$672 million**	HK$686 million
Aggregate value of major contracts on hand	**about HK$540 million yet to complete**	about HK$665 million yet to complete

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Group Revenue and Profit

The Group's revenue for the Period decreased by 15% to HK$243 million (2017: HK$286 million). Furthermore, the Group recorded a net loss of HK$4 million for the Period as compared with a net profit of HK$7 million in the Previous Period. The net loss was mainly attributable to the decrease in contract revenue during the Period as compared to that of last year. The Group mainly relies on the Hospital Expansion project to contribute to its revenue and profit. However, the Hospital Expansion project has a relatively lower margin due to subcontracting of non-bored piling works. In addition, overhead costs such as equipment depreciation and labour costs did not decrease proportionately with the reduced size of ongoing projects.

Major Projects during the Period

	As at 30 September 2018 Completion Status	**Expected Completion Date**	**Estimated Remaining Contract Value (HK$)** *(Note)*
Hospital Expansion	Around 79%	2019 Q3	370 million
Proposed Commercial/Residential Development in Wong Tai Sin District	Around 73%	2019 Q2	37 million
Tseung Kwan O Interchange	Around 20%	2019 Q4	134 million

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

Besides, the amounts of cumulative revenue recognised from the above contracts are adjusted due to the adoption of the new accounting standard HKFRS 15 "Revenue from Contracts with Customers". Therefore, percentages of the completion status and the estimated remaining contract values shown above cannot be directly compared with those shown in the last Annual Report.

Hospital Expansion

This project contributed about 76% of the Group's revenue for the Period. Excavation and lateral support works and construction of retaining wall were carried out during the Period.

Proposed Commercial/Residential Development in Wong Tai Sin District

This project had minimal contribution to the Group's revenue for the Period. As mentioned in the last published annual report for the year ended 31 March 2018 (the "Annual Report"), some technical complications were experienced during the first phase of the project, with certain work requiring re-designing and re-scheduling. As a result, the estimated completion date has been set back to around the second quarter of 2019.

Tseung Kwan O Interchange

Though this project only commenced in mid-2018, it contributed about 14% of the Group's revenue for the Period. Erection of temporary platforms, pre-drilling works and construction of marine bored piles were carried out during the Period.

Business Outlook

The Group expects the new Tseung Kwan O Interchange project that commenced in mid-2018 to contribute more revenue to the Group in the second half of this financial year. However, due to filibustering in the Legislative Council and resultant delay in funding approval for public works and infrastructure projects, there have been a limited number of tenders available. Tenders that are available have consequently been met with severe price competition. The Group therefore expects its profit margin to remain substantially suppressed.

The Group does anticipate greater opportunities to arise next year, which will enable it to emerge from the current trough. With HK$170 billion in funding approved by the Legislative Council in 2018 for public works, this suggests that normality is gradually returning after years of filibustering. The "Lantau Tomorrow Vision" project announced during the latest Policy Address, which involves building 1,700 hectares of artificial islands off Lantau to tackle land shortages, is also good news for the sustainable development of Hong Kong and the construction industry.

The Group will endeavour to bid for new projects. However, before securing any major profitable projects, it expects to operate in an even tougher environment, with the possibility of weaker results particularly in this financial year. The directors of the Company nonetheless share the view that the financial position of the Group remains healthy, as highlighted by zero net gearing as at 30 September 2018. The Group will therefore be able to brace against operational pressure.

FINANCIAL REVIEW AND ANALYSIS

Despite the decrease in revenue and loss recorded for the Period, the Group continues to enjoy a healthy financial position. The current ratio remains stable at 1.5 times (31 March 2018: 1.7 times), with total cash and bank balance of approximately HK$277 million (31 March 2018: HK$259 million). Net borrowings was 0 (31 March 2018: 0) as the Group had a net cash position as at 30 September 2018.

Administrative Expenses

Administrative expenses decreased 40% from approximately HK$30 million to approximately HK$18 million. The differences were mainly represented by an exchange loss recorded in the Previous Period and an exchange gain recorded in the Period on outstanding Euro loans due to fluctuations of the Euro in the respective periods. Such loans, temporary and rolling over on revolving terms, are reserved for settling purchases required to support operations. The Group has the flexibility to settle such loans when it receives proceeds in Euros or when the exchange rate is more favourable to it. If the aforementioned exchange gain and loss were excluded in the respective periods, the administrative expenses would have decreased by about 15% mainly due to the decline in legal and professional fees.

Finance Cost

Finance cost for the Period was approximately HK$1.2 million, representing a decrease of approximately 53% when compared with approximately HK$2.7 million in the Previous Period. This was mainly attributable to more efficient treasury management. The Group managed to trim its finance cost while at the same time maintain sufficient working capital to meet the needs of current construction projects.

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 invested HK$13 million in additional machinery and equipment. As at 30 September 2018 and 31 March 2018, the Group did not have capital commitments relating to the purchase of machinery and equipment. During the Period, save as disclosed herein, the Group did not make any material acquisition or disposal of asset.

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 used HK$7 million for operating activities (2017: net cash inflow of HK$86 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 2018, the Group had total cash and bank balances of approximately HK$277 million (31 March 2018: HK$259 million) mainly denominated in Hong Kong dollars and Macau patacas.

Borrowings

As at 30 September 2018, the Group had total borrowings of approximately HK$117 million (31 March 2018: HK$81 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$83 million (31 March 2018: HK$29 million) were for short-term bank loans and approximately HK$27 million (31 March 2018: HK$36 million) were for 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 2018, the Group's net gearing ratio (net borrowings divided by total equity) was 0 (31 March 2018: same) as the Group had a net cash position. For the purpose of calculating the Group's net gearing ratio, net borrowings refer to the total borrowings less cash and cash equivalents and restricted bank balances.

As at 30 September 2018, the Group's net current assets amounted to approximately HK$129 million (31 March 2018: HK$156 million) and had a current ratio (current assets divided by current liabilities) of 1.5 times (31 March 2018: 1.7 times). The Group's total equity as at 30 September 2018 was approximately HK$672 million (31 March 2018: HK$686 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. Other than the purchases paid in Euros and Singapore dollars and short-term Euro borrowings for settlement, the Group was not exposed to any significant foreign currency risk. Furthermore, the Group did not employ any financial instrument for hedging.

Contingent Liabilities

As at 30 September 2018, 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 2018: 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 2018, the net book amount of plant and equipment held under finance leases and pledged for long-term bank loans amounted to approximately HK$73 million (31 March 2018: HK$84 million) and approximately HK$78 million (31 March 2018: HK$117 million), respectively. None of the banking facilities of the Group were secured by the Group's bank deposits (31 March 2018: none).

HUMAN RESOURCES

As at 30 September 2018, the Group had around 179 employees (31 March 2018: 177). The remuneration packages that it offers to employees include salary, discretionary bonus and allowance. In general, the Group determines employees' salaries based on individual qualification, position and performance (where applicable).

OTHER INFORMATION

Disclosure of Interests

At 30 September 2018, 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 2018 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. 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.

2. 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, 22 November 2018

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 2018

		Unaudited Six months ended 30 September	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	*5*	**243,026**	285,979
Cost of sales	*6*	**(230,452)**	(255,461)
Gross profit		**12,574**	30,518
Other loss, net	*7*	**(342)**	(150)
Other income	*7*	**150**	9,371
Administrative expenses	*6*	**(17,986)**	(29,885)
Operating (loss)/profit		**(5,604)**	9,854
Finance income	*8*	**1,661**	1,293
Finance costs	*8*	**(1,246)**	(2,661)
Finance income/(costs), net	*8*	**415**	(1,368)
(Loss)/profit before income tax		**(5,189)**	8,486
Income tax credit/(expense)	*9*	**1,000**	(1,455)
(Loss)/profit and total comprehensive income for the period		**(4,189)**	7,031
(Loss)/profit and total comprehensive income attributable to equity holders of the Company		**(4,189)**	7,031
		HK cents	HK cents
Basic and diluted (loss)/earnings per share	*10*	**(0.25)**	0.42

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 SEPTEMBER 2018

	Note	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
ASSETS			
Non-current assets			
Plant and equipment	*12*	**575,674**	575,752
Deferred income tax assets		**9,233**	9,208
Available-for-sale financial assets		**–**	20,520
Financial assets at fair value through other comprehensive income		**20,520**	–
Deposits and prepayments		**2,819**	2,905
		608,246	608,385
Current assets			
Trade and retention receivables	*13*	**93,314**	121,261
Deposits, prepayments and other receivables		**5,355**	3,905
Amounts due from customers for contract work	*14*	**–**	231
Contract assets		**26,628**	–
Income tax recoverable		**600**	600
Restricted bank balances	*15*	**3,040**	3,020
Cash and cash equivalents (excluding bank overdraft)		**273,618**	256,401
		402,555	385,418
Total assets		**1,010,801**	993,803
EQUITY			
Capital and reserves			
Share capital	*16*	**4,200**	4,200
Reserves		**667,497**	681,520
Total equity		**671,697**	685,720
LIABILITIES			
Non-current liabilities			
Long-term borrowings	*19*	**6,786**	15,904
Deferred income tax liabilities		**55,850**	59,357
Amount due to a director		**3,040**	3,020
		65,676	78,281

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30 SEPTEMBER 2018

	Note	**Unaudited 30 September 2018 *HK$'000***	Audited 31 March 2018 *HK$'000*
Current liabilities			
Trade and retention payables	*17*	**87,011**	53,432
Accruals and other payables	*18*	**7,937**	8,943
Amounts due to customers for contract work	*14*	**–**	97,866
Contract liabilities		**63,650**	–
Borrowings	*19*	**109,887**	65,207
Income tax payable		**4,943**	4,354
		273,428	229,802
Total liabilities		**339,104**	308,083
Total equity and liabilities		**1,010,801**	993,803

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Unaudited						
	Share capital	Share premium	Available-for-sale financial assets reserve	Financial assets at fair value through other comprehensive income fair value reserve	Other reserves	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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 *(note 11)*	–	–	–	–	–	(16,800)	(16,800)
At 30 September 2017	4,200	194,087	–	–	10,500	477,675	686,462
At 1 April 2018	**4,200**	**194,087**	**770**	**–**	**10,500**	**476,163**	**685,720**
Changes in accounting policy *(note 2)*	**–**	**–**	**(770)**	**770**	**–**	**(9,834)**	**(9,834)**
Restated balance	**4,200**	**194,087**	**–**	**770**	**10,500**	**466,329**	**675,886**
Comprehensive income							
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(4,189)**	**(4,189)**
At 30 September 2018	**4,200**	**194,087**	**–**	**770**	**10,500**	**462,140**	**671,697**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

		Unaudited Six months ended 30 September	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Cash flows from operating activities			
Net cash generated from operations		**(7,883)**	69,532
Interest paid		**(754)**	(1,650)
Interest received		**1,661**	1,293
Interest element of finance lease payments	*8*	**(472)**	(869)
Decrease/(increase) in restricted bank balances	*15*	**(20)**	17,864
Hong Kong profits tax paid		**–**	(623)
Net cash (used in)/generated from operating activities		**(7,468)**	85,547
Cash flows from investing activities			
Purchase of plant and equipment		**(12,564)**	(338)
Proceeds from sales of plant and equipment		**–**	98
Net cash used in investing activities		**(12,564)**	(240)
Cash flows from financing activities			
Capital element of finance lease payments		**(8,622)**	(12,964)
Drawdown of long-term bank loans		**–**	559
Repayment of long-term bank loans		**(10,107)**	(18,301)
Drawdown of short-term bank loans		**76,857**	33,192
Repayment of short-term bank loans		**(20,879)**	(105,716)
Repayment to a director	*15*	**–**	(18,006)
Net cash generated from/(used in) financing activities		**37,249**	(121,236)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Net increase/(decrease) in cash and cash equivalents	**17,217**	(35,929)
Cash and cash equivalents at beginning of the period	**256,401**	347,943
Cash and cash equivalents at end of the period	**273,618**	312,014
Analysis of cash and cash equivalents		
Cash and cash equivalents	**273,618**	312,014

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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 22 November 2018.

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 2018 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and has been prepared under the historical cost convention except for financial assets at fair value through other comprehensive income which are measured at fair values.

2.2 Accounting policies

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 March 2018 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

In the current interim period, the Group has applied, for the first time, the following amendments to HKAS issued by the HKICPA which are relevant to the Group:

Annual Improvements Projects HKFRS 1 and HKAS28 (Amendments)	Annual Improvements 2014-2016 cycle
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HKAS 28 (Amendments)	Investments in associates and joint ventures
HK(IFRIC) Int-22	Foreign Currency Transactions and Advance Consideration

The application of the above new standards, amendments and improvements to existing standards and interpretation in the current period has had no material impact on the Group's results and financial position, except HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers".

The following explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial information and also disclose the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

As a result of adopting the standards, the Group had to change its accounting policies. The impact of adoption are disclosed as below:

Condensed consolidated interim balance sheet (extract)	**At 31 March 2018 as originally presented**	**Effects of the adoption of HKFRS 9**	**Effects of the adoption of HKFRS 15**	**At 1 April 2018 Restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Available-for-sale financial assets	20,520	(20,520)	–	–
Financial assets at fair value through other comprehensive income	–	20,520	–	20,520
Deferred income tax assets	9,208	–	2,423	11,631
Current assets				
Amounts due from customers for contract work	231	–	(231)	–
Contract assets	–	–	231	231
Equity				
Reserves	681,520	–	(9,834)	671,686
Current liabilities				
Amounts due to customers for contract work	97,866	–	(97,866)	–
Contract liabilities	–	–	109,643	109,643
Income tax payable	4,354	–	480	4,834

Condensed consolidated interim balance sheet (extract)	At 30 September 2018 without the adoption of HKFRS 9 and HKFRS 15	Effects of the adoption of HKFRS 9	Effects of the adoption of HKFRS 15	At 30 September 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Available-for-sale financial assets	20,520	(20,520)	–	–
Financial assets at fair value through other comprehensive income	–	20,520	–	20,520
Deferred income tax assets	7,905	–	1,328	9,233
Current assets				
Amounts due from customers for contract work	28,221	–	(28,221)	–
Contract assets	–	–	26,628	26,628
Equity				
Reserves	675,590	–	(8,093)	667,497
Current liabilities				
Amounts due to customers for contract work	55,620	–	(55,620)	–
Contract liabilities	–	–	63,650	63,650
Income tax payable	5,108	–	(165)	4,943
Non-current liabilities				
Deferred income tax liabilities	55,887	–	(37)	55,850

(a) HKFRS 9 "FINANCIAL INSTRUMENTS"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

The new accounting policies applied from 1 April 2018 are as follows:

(i) Classification

Debts instruments

HKFRS 9 has three financial asset classification categories for investments in debt instruments:

- those to be measured at amortised cost;
- those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and
- those to be measured subsequently at fair value through profit or loss ("FVPL").

Classification depends on the entity's business model for managing the debt instruments and the debt instruments' contractual cash flow characteristics.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group classifies its financial assets as at FVOCI only if both of the following criteria are met:

- the objective of the Group's business model is to hold the asset to collect the contractual cash flows and to sell financial assets; and

- the contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

Equity instruments

Investment in equity instruments are always measured at fair value. Equity instruments that are held for trading are measured at FVPL. For equity instruments which are not held for trading, the Group has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a financial asset that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity instruments classified as fair value through other comprehensive income

The Group subsequently measures all equity instruments at fair value. Since the Group's management has elected to present fair value gains and losses on equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Equity investments that are elected by the Group's management to be classified as FVOCI are not subject to impairment. Dividends from such instruments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instrument assets carried at amortised cost and contract assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets originally categorised as loans and receivables under HKAS 39 which all have been classified as financial assets at amortised cost under HKFRS 9 from 1 April 2018, the Group has determined that reliably assessing the probability of default of the counterparties at the initial recognition of each financial asset would result in undue cost and effort. As permitted by a transition provision in HKFRS 9, provision for doubtful debts account for these financial assets will be determined based on whether their credit risk are low at each reporting date, and if so by recognising a 12 months expected losses amount until the financial asset is derecognised. If the financial asset is not of a low credit risk, the corresponding provision for doubtful debts account will be recognised as equal to lifetime expected losses.

The impact of the adoption of HKFRS 9 is shown as follows:

Classification and measurement of financial assets and liabilities

At the date of initial application of HKFRS 9 (1 April 2018), the Company's management has assessed which business models apply to the financial assets held by the Group and has classified its financial assets and liabilities into the appropriate HKFRS 9 categories.

The financial assets held by the Group include financial assets previously classified as available-for-sale investments under HKAS 39, and that have reclassified as financial assets at fair value through other comprehensive income under HKFRS 9. Except for the above, the application of HKFRS 9 does not have material impact on the classification, recognition and measurement of the other financial assets held by the Group at 30 September 2018.

The application of HKFRS 9 does not affect the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

The impact of the reclassification is as follows:

	Available-for-sale financial assets	**Financial assets at fair value through other comprehensive income**
	HK$'000	*HK$'000*
Opening balance – HKAS 39	20,520	–
Reclassify available-for-sale financial assets to financial assets at fair value through other comprehensive income	(20,520)	20,520
Opening balance – HKFRS 9	–	20,520

The impact of these changes on the Group's equity is as follows:

	Available-for-sale financial assets reserve	**Financial assets at fair value through other comprehensive income fair value reserve**
	HK$'000	*HK$'000*
Opening balance – HKAS 39	770	–
Reclassify available-for-sale financial assets to financial assets at fair value through other comprehensive income	(770)	770
Opening balance – HKFRS 9	–	770

The new impairment model requires the recognition of impairment provisions based on expected credit losses model rather only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost and contract assets under HKFRS 15. At 30 September 2018, the Group assessed the impact of loss allowance is immaterial.

(b) HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the modified retrospective approach in HKFRS 15, comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15, which replaces both the provisions of HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

The new accounting policies and the impact of the adoption of HKFRS 15 is shown as follows:

(i) Accounting for revenue from construction contracts

In prior reporting periods, the Group accounted for revenue from construction contracts when the outcome of construction contracts can be estimated reliably by reference to the stage of completion of the contract activities at the end of the reporting periods.

Under HKFRS 15, revenue from construction contracts is recognised when or as the construction projects are transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the construction projects may transfer over time or at a point in time. If the Group expects the reference to progress certificates issued by the customers, with additional adjustments where necessary, depicts the Group's performance in transferring control of goods or services promised to customers for individual projects, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the output method for measuring progress. If construction projects have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

(ii) Presentation of contract assets and liabilities

Reclassifications were made as at 1 April 2018 to be consistent with the terminology used under HKFRS 15:

- contract assets recognised in relation to construction contracts were previously presented as amounts due from customers for contract work; and
- contract liabilities recognised in relation to construction contracts were previously presented as amounts due to customers for contract work.

The following table summarises the impact of transition to HKFRS 15 on retained profits at 1 April 2018.

	Impact on application of HKFRS 15 at 1 April 2018
	HK$'000
Retained profits	
Adjustments of amounts due to customers for contract work	(11,777)
Tax effect	1,943
	(9,834)

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 2018.

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 2018.

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 cause of business. Revenue recognised is as follows:

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Foundation works and ancillary services	**243,026**	285,979

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 2018 HK$'000	2017 HK$'000
Cost of sales		
Construction contracts costs *(note)*	**216,515**	237,473
Depreciation	**12,032**	14,342
Repair and maintenance	**1,472**	3,261
Others	**433**	385
	230,452	255,461
Administrative expenses		
Staff costs, including directors' emoluments	**8,747**	9,997
Depreciation	**268**	273
Operating leases rental in respect of		
– Office premises and storage premises	**4,107**	4,789
– Directors' quarters	**1,084**	1,084
Professional fees	**2,053**	4,003
Exchange (gain)/loss	**(1,671)**	6,779
Others	**3,398**	2,960
	17,986	29,885
Total cost of sales and administrative expenses	**248,438**	285,346

Note:

Construction contract costs included but not limited to costs of construction materials, staff costs, consultancy fee, parts and consumables, subcontracting charges and transportation.

7 Other income and loss, net

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Other loss:		
– Gain on disposal of plant and equipment	**–**	22
– Write-off of plant and equipment	**(342)**	(172)
	(342)	(150)
Other income:		
– Government grant	**–**	71
– Machinery and equipment leasing income	**150**	–
– Reimbursement from the deed of indemnity	**–**	9,300
	150	9,371
	(192)	9,221

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 Previous 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 was recorded as other income as to compensate the corresponding amount written off from contracting-work-in-progress to the costs of sales during the Previous Period.

8 Finance income and costs

	Unaudited Six months ended 30 September 2018 HK$'000	2017 HK$'000
Finance income:		
– Interest income on bank deposits	**1,661**	1,293
Finance costs:		
– Interest expense on bank loans	**(754)**	(1,650)
– Interest expense on obligations under finance leases	**(472)**	(869)
– Interest expense on amount due to a director	**(20)**	(142)
	(1,246)	(2,661)
Finance income/(costs), net	**415**	(1,368)

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 2018 HK$'000	2017 HK$'000
Hong Kong profits tax		
Current income tax	**108**	6,751
Deferred income tax	**(1,108)**	(5,296)
	(1,000)	1,455

10 Loss/earnings per share

(a) Basic

Basic loss/earnings per share is calculated by dividing the loss/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	
	2018	2017
(Loss)/profit attributable to equity holders of the Company (HK$'000)	**(4,189)**	7,031
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	**1,680,000**	1,680,000
Basic (loss)/earnings per share (HK cents)	**(0.25)**	0.42

(b) Diluted

Diluted loss/earnings per share is of the same amount as the basic loss/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 (2017: Nil).

Final dividends of HK$16,800,000 relating to the year ended 31 March 2017 were declared in September 2017.

12 Plant and equipment

	Unaudited Six months ended 30 September 2018 HK$'000	2017 HK$'000
At 1 April	**575,752**	633,527
Additions	**12,564**	338
Disposal	**–**	(75)
Write-off	**(342)**	(172)
Depreciation	**(12,300)**	(14,615)
At 30 September	**575,674**	619,003

13 Trade and retention receivables

	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
Trade receivables	**40,058**	70,499
Retention receivables	**53,256**	50,762
	93,314	121,261

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

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

	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
1 to 30 days	**40,058**	18,712
31 to 60 days	**–**	51,787
	40,058	70,499

As at 30 September 2018 and 31 March 2018, there were no retention receivables which were past due.

14 Contracting work-in-progress

	Unaudited 30 September 2018	Audited 31 March 2018
	HK$'000	*HK$'000*
Contract costs incurred plus attributable profits less foreseeable losses to date	**–**	1,016,128
Progress billings to date	**–**	(1,113,763)
	–	(97,635)

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

	Unaudited 30 September 2018	Audited 31 March 2018
	HK$'000	*HK$'000*
Due from customers for contract work	**–**	231
Due to customers for contract work	**–**	(97,866)
	–	(97,635)

15 Restricted bank balances

As at 30 September 2018 and 31 March 2018, restricted bank balances represents a deposit placed by a director.

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 2018	Audited 31 March 2018
	HK$'000	*HK$'000*
Trade payables	**72,089**	39,462
Retention payables	**14,922**	13,970
	87,011	53,432

17 Trade and retention payables (continued)

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

	Unaudited 30 September 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
0 to 30 days	**70,480**	38,619
31 to 60 days	**657**	10
61 to 90 days	**119**	–
181 to 365 days	**–**	3
More than 365 days	**833**	830
	72,089	39,462

18 Accruals and other payables

Accruals and other payables mainly represent the accruals and other payables for wages, legal and professional fees and other miscellaneous expenses.

19 Borrowings

	Unaudited 30 September 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
Non-current		
Obligations under finance leases	**3,324**	9,115
Long-term bank loans	**3,462**	6,789
	6,786	15,904
Current		
Short-term bank loans	**83,357**	29,066
Current portion of long-term bank loans due for repayment within one year	**12,200**	18,980
Obligations under finance leases due for repayment within one year	**14,330**	17,161
	109,887	65,207
Total borrowings	**116,673**	81,111

20 Commitments

(a) *Capital commitments*

There were no capital commitments as at 30 September 2018 and 31 March 2018.

(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 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
No later than 1 year	**9,595**	8,130
Later than 1 year and no later than 5 years	**7,486**	6,662
	17,081	14,792

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	
	2018	2017
	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.

21 Related party transactions (continued)

(b) *Interest expenses payable to a related party*

	Unaudited Six months ended 30 September 2018 HK$'000	2017 HK$'000
Interest expenses payable to a director	**20**	142

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

(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 2018 HK$'000	2017 HK$'000
Fees	**360**	360
Salaries	**1,466**	1,466
Directors' quarters	**1,084**	1,084
Employer's contribution to pension scheme	**9**	9
	2,919	2,919

(d) *Balance – non-trade*

	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
Payable to a director:		
Mr. Lau Chun Ming	**3,040**	3,020