CHONG KIN
創建集團(控股)有限公司

CHONG KIN GROUP HOLDINGS LIMITED
創 建 集 團 (控 股) 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1609

Interim Report

2018

Corporate Information

BOARD OF DIRECTORS
Executive Directors
Mr. Zhang Jinbing *(Chairman and Chief Executive Officer)*
Mr. Ni Biao (appointed on 8 June 2018)

Independent Non-Executive Directors
Mr. Tam Ping Kuen, Daniel (appointed on 3 September 2018)
Dr. Zhu Zhengfu
Dr. Li Yifei
Mr. Tse Chi Wai (retired on 31 August 2018)

AUDIT COMMITTEE
Mr. Tam Ping Kuen, Daniel *(Chairperson)* (appointed on 3 September 2018)
Dr. Zhu Zhengfu
Dr. Li Yifei
Mr. Tse Chi Wai (retired on 31 August 2018)

REMUNERATION COMMITTEE
Mr. Tam Ping Kuen, Daniel *(Chairperson)* (appointed on 3 September 2018)
Dr. Zhu Zhengfu
Dr. Li Yifei
Mr. Tse Chi Wai (retired on 31 August 2018)

NOMINATION COMMITTEE
Mr. Zhang Jinbing *(Chairperson)*
Mr. Tam Ping Kuen, Daniel (appointed on 3 September 2018)
Dr. Zhu Zhengfu
Dr. Li Yifei
Mr. Tse Chi Wai (retired on 31 August 2018)

COMPANY SECRETARY
Ms. Lee Eva

AUTHORISED REPRESENTATIVES
Mr. Zhang Jinbing
Ms. Lee Eva

REGISTERED OFFICE IN THE CAYMAN ISLANDS
P.O. Box 1350
Clifton House 75 Fort Street
Grand Cayman
KY1-1108 Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suite 6808, 68 Floor, Central Plaza,
18 Harbour Road, Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS
Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street,
P. O. Box 1350,
Grand Cayman KY1-1108, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW
D.S. Cheung & Co.
29th Floor, Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai, Hong Kong.

AUDITORS
KTC Partners CPA Limited
Room 701, 7th floor, New East Ocean Centre,
9 Science Museum Road, Tsim Sha Tsui East,
Kowloon, Hong Kong

PRINCIPAL BANKERS
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of East Asia Limited
Citibank (Hong Kong) Limited

STOCK CODE
1609

WEBSITE
www.chongkin.com.hk

Management Discussion and Analysis

BUSINESS REVIEW

Chong Kin Group Holdings Limited (the "Company", together with its subsidiaries, the "Group", "we" or "us") is a concrete services provider in Hong Kong. We principally provide concrete placing services and other ancillary services as a subcontractor for both (i) public sector projects, including building and infrastructure related projects and (ii) private sector projects, which are mostly building related projects in Hong Kong. All revenue in the six months ended 30 September 2018 (the "Period") was derived from our concrete placing services and other ancillary services.

FINANCIAL REVIEW

Revenue of the Group for the Period amounted to approximately HK$178.7 million (for the six months ended 30 September 2017 (the "Previous Period"): HK$218.2 million).

Profit attributable to the owners of the Company for the Period amounted to approximately HK$0.7 million (Previous Period: HK$17.2 million).

Basic and diluted earnings per share for the Period amounted to approximately HK cents 0.09 (Previous Period: HK cents 2.25).

The directors (the "Directors") of the Company do not recommend the declaration of any interim dividend for the Period (Previous Period: Nil).

REVENUE

The revenue of the Group for the Period amounted to approximately HK$178.7 million, 18.1% less than that of approximately HK$218.2 million for the Previous Period. Such decrease was mainly due to the completion of major construction projects in the Previous Period.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of the Group for the Period amounted to approximately HK$18.5 million, representing a decrease of approximately 45.1% as compared with approximately HK$33.6 million for the Previous Period. The Group's gross profit margin for the Period was approximately 10.3%, as compared with approximately 15.4% for the Previous Period. The decrease in the gross profit margin was mainly attributable to the increase in construction costs and decrease in concrete placing works and scale for the projects, due to keen competition in the industry for new construction projects.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The administrative and other operating expenses of the Group for the Period amounted to approximately HK$15.6 million, compared with approximately HK$15.5 million for the Previous Period, mainly due to the increase in the staff costs (attributable to the salary increment and the expansion of our workforce at office level).

FINANCE COSTS

Finance cost for the Period was approximately HK$3.2 million, compared with approximately HK$0.3 million in the Previous Period. The increase was mainly attributable to the interest on the loan from former substantial shareholder.

NET PROFIT

The net profit for the Period of the Group amounted to approximately HK$0.7 million, representing a decrease of approximately 95.8% compared with approximately HK$17.2 million for the Previous Period, due to the decrease in revenue and gross profit during the Period as hereinabove mentioned.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, internally generated cash flow and net proceeds received from the initial public offering of the Company's shares.

As at 30 September 2018, the loan and interest receivable amounted to HK$129.3 million (31 March 2018: HK$213 million) was under legal actions against the borrower to recover the loan. Based on the current assessment, the management believes that no impairment allowance is necessary in respect of those loan and interest receivables as the balances are considered fully recoverable.

Management Discussion and Analysis

As at 30 September 2018, the Group had total cash and bank balances of approximately HK$100.0 million (31 March 2018: HK$21.8 million). The increase was mainly due to the net cash inflow generated from operating activities during the Period. The borrowings of the Group as at 30 September 2018 was approximately HK$131.3 million (31 March 2018: HK$127.2 million).

GEARING RATIO

Gearing ratio is calculated by dividing all debts by total equity at the period-end date and expressed as a percentage. Debts are defined to include payables incurred not in the ordinary course of business. The gearing ratio of the Group increased from approximately 55.2% as at 31 March 2018 to approximately 56.6% as at 30 September 2018 which was mainly due to the increased debt from the former substantial shareholder.

DEBTS AND CHARGES ON ASSETS

The total borrowings of the Group, consist of the former substantial shareholder's loan, bank borrowings and finance leases increased from approximately HK$127.2 million as at 31 March 2018 to approximately HK$131.2 million as at 30 September 2018. All borrowings were denominated in Hong Kong dollars. Interests are charged at fixed and floating rates. The Group did not carry out any interest rate hedging policy for its floating rate borrowings during the Period, but the Group has monitored interest risks continuously and may consider employing financial instrument for hedging purposes if and when necessary.

The Group's machinery and equipment with an aggregate net book value of approximately HK$2.1 million and HK$2.2 million as at 30 September 2018 and 31 March 2018, respectively, were charged under finance leases.

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong. Most of the operating transactions and revenue were settled in Hong Kong dollars and the Group's assets and liabilities are primarily denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. The Group had not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and has not adopted any currency hedging policy or other hedging instrument during the Period.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Period, save as disclosed in note 19 of this interim report, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries or associated companies.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, 443 staff fell into the Group's payroll (30 September 2017: 595 staff). Total staff costs including directors' emoluments for the Period, amounted to approximately HK$105.0 million (Previous Period: HK$127.5 million). The remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefit levels of the employees of the Group are competitive. The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from mandatory provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation.

CAPITAL COMMITMENTS

The Group had no other capital commitments as at 30 September 2018 and 31 March 2018.

CONTINGENT LIABILITIES

Our subsidiaries are involved in a number of claims, lawsuits and potential claims relating to employees' compensation cases and personal injuries claims. The Directors considered that the possibility of any outflow in settling the legal claims was remote as these claims were well covered by insurance. Accordingly, no provision for the contingent liabilities in respect of litigations and claims is necessary after due consideration of each case.

Save as disclosed above, the Group had no material contingent liabilities as at 30 September 2018 (31 March 2018: nil).

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 October 2016 (the "Listing"). The total net proceeds (the "Net Proceeds") from the initial public offering amounted to approximately HK$57.2 million. The Net Proceeds were applied by the Group consistent with the disclosures in the prospectus of the Company dated 30 September 2016 (the "Prospectus"). The use of the Net Proceeds from the date of the Listing up to 30 September 2018 is as follows:

Use of Net Proceeds:	**Planned use of proceeds** *HK$'000*	**Actual use of proceeds from the date of the Listing to 30 September 2018** *HK$'000*	**Unused amount** *HK$'000*
Acquisition of machinery and related parts	23,103	22,698	405
Expansion of our workforce both at office level and worksite level	6,429	6,429	–
Repayment of the outstanding finance leases	11,050	11,050	–
Repayment of the outstanding bank borrowings	11,050	11,050	–
General working capital	5,524	5,524	–
Total	**57,156**	**56,751**	**405**

PROSPECTS

The Directors are of the view that the business environment in which the Group operates becomes tough due to intense industry competition and increase in construction costs. The Directors estimate that the Group's gross profit and profit margin will continue under pressure from the lower bidding price on the tenders, which will in turn affect the growth of the Group. In order to maintain our market share in the concrete placing services industry, the Group will closely monitor the market and respond to changes in market conditions.

Looking forward, the Group will continue to evaluate suitable areas to diversify its business with the aim to deliver sustainable return to the Shareholders, the Group will utilize the resources to expand its revenue stream and explore business opportunities in the logistic Industry in the PRC.

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

For the six months ended 30 September 2018

	Note	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue	6	**178,746**	218,231
Cost of sales		**(160,278)**	(184,582)
Gross profit		**18,468**	33,649
Other income	6	**2,234**	3,103
Administrative and other operating expenses		**(15,597)**	(15,548)
Operating profit		**5,105**	21,204
Finance costs	7	**(3,199)**	(302)
Profit before income tax	8	**1,906**	20,902
Income tax expense	9	**(1,183)**	(3,674)
Profit and total comprehensive income for the period attributable to owners of the Company		**723**	17,228
Basic and diluted earnings per share (HK cents)	10	**0.09**	2.25

Details of dividends are disclosed in Note 11 to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

As at 30 September 2018

	Note	**As at 30 September 2018 HK$'000 (Unaudited)**	As at 31 March 2018 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**33,254**	34,238
Other deposits		**3,691**	3,650
Financial asset at fair value through profit or loss		**4,754**	–
		41,699	37,888
Current assets			
Trade and other receivables	*13*	**68,668**	69,693
Contract assets	*3.3*	**81,548**	–
Loan and interest receivables		**129,267**	213,479
Gross amounts due from customers for contract work		**–**	125,329
Current income tax recoverable		**7,827**	2,145
Cash and bank balances		**99,977**	21,828
		387,287	432,474
Total assets		**428,986**	470,362
EQUITY			
Capital and reserves			
Share capital	*14*	**7,648**	7,648
Reserves		**224,192**	222,937
Total equity		**231,840**	230,585

Condensed Consolidated Interim Statement of Financial Position

As at 30 September 2018

	Note	**As at 30 September 2018 HK$'000 (Unaudited)**	As at 31 March 2018 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	*15*	**130,504**	126,387
Deferred tax liabilities		**4,622**	4,622
		135,126	131,009
Current liabilities			
Trade and other payables	*16*	**26,396**	40,193
Amount due from a former director		**30,000**	30,000
Gross amounts due to customers for contract work		**–**	37,778
Borrowings	*15*	**756**	797
Current income tax liabilities		**4,868**	–
		62,020	108,768
Total liabilities		**197,146**	239,777
Total equity and liabilities		**428,986**	470,362
Net current assets		**325,267**	323,706
Total assets less current liabilities		**366,966**	361,594

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 September 2018

	Share capital	Share premium	Merger reserve	Retained earnings	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 14)		*Note*		
Balance at 1 April 2017	7,648	61,649	10	129,252	198,559
Profit and total comprehensive income for the period	–	–	–	17,228	17,228
Balance at 30 September 2017	7,648	61,649	10	146,480	215,787
Balance at 1 April 2018	**7,648**	**61,649**	**10**	**161,278**	**230,585**
Adjustment on adoption of HKFRS 15, net of tax	**–**	–	**–**	**532**	**532**
Restated balance on 1 April 2018	**7,648**	**61,649**	**10**	**161,810**	**231,117**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**723**	**723**
Balance at 30 September 2018	**7,648**	**61,649**	**10**	**162,533**	**231,840**

Note: The merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**87,094**	2,364
Net cash (used in)/generated from investing activities	**(7,545)**	550
Net cash used in financing activities	**(1,400)**	(15,718)
Net increase/(decrease) in cash and cash equivalents	**78,149**	(12,804)
Cash and cash equivalents at beginning of period	**21,828**	105,740
Cash and cash equivalents at end of period, represented by cash and bank balances and bank overdrafts	**99,977**	92,936

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 31 May 2016 as an exempted company with limited liability and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 October 2016. The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the principal place of business of the Company is Suite 6808, 68/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in provision of concrete placing services and other ancillary services. Its parent and ultimate holding company is Prestige Rich Holdings Limited ("Prestige"), a company incorporated in the British Virgin Islands. Mr. Zhang Jinbing is the owner and sole director of Prestige. As at 30 September 2018, the directors consider the ultimate controlling shareholder of the Company to be Mr. Zhang Jinbing.

2 BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2018 have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The condensed consolidated interim financial statements 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").

This condensed consolidated financial information has been prepared on the historical cost basis.

The condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 23 November 2018.

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied to prepare this unaudited condensed consolidated interim financial information for the six months ended 30 September 2018 are consistent with the Group's annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfer of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the Group accounting policies, prior year financial statements had to be restated. As explained in Note 3.2 below, HKFRS 9 was generally adopted without restating the comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore recognised in the opening of the statement of condensed consolidated statement of financial position on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the subtotal and totals disclosed cannot be recalculated from the number provided. The adjustments are explained in more detail below.

	As at 1 April 2018			
	As previously stated	Impact of HKFRS 9	Impact of HKFRS 15	Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Gross amount due from customers for contract work	**125,329**	**–**	**(125,329)**	**–**
Contract assets	**–**	**–**	**88,188**	**88,188**
Gross amount due to customers for contract work	**37,778**	**–**	**(37,778)**	**–**
Current income tax liabilities	**–**	**–**	**105**	**105**
Retained earnings	**161,278**	**–**	**532**	**161,810**

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

HKFRS 9 replaces the provision of HKAS 39 that related to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amount recognised in the financial statements. The new accounting policies are set out in note below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting.

Impairment of financial assets

The Group has the following types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Trade receivables;
- Contract assets; and
- Other financial assets at amortised cost

The Group were required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the retained earnings and equity of the Company and its subsidiaries was immaterial.

While cash and cash equivalents are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

Impairment of financial assets (Continued)

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on share credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company and its subsidiaries have therefore concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rate for each category of debtors, and adjust for forward looking macroeconomic data.

Since the customers are primarily financially sound properties developers, the directors consider that the expected credit risk is minimal.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and its subsidiaries, and a failure to make contractual payments for a period of greater than 90 days past due.

Other financial assets at amortised cost

All of the Group's other financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

Impairment of financial assets (Continued)

Significant estimates and judgements

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the past history, existing market conditions as well as forward looking estimates of the Group at the end of each reporting period.

Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For financial assets that are not held for trading, this will depend on whether the Company and its subsidiaries have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

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 ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Equity instruments

The Company and its subsidiaries subsequently measure all equity investments at fair value. Where the management of the Group has elected to present fair value gains and losses on equity investment in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continued to be recognised in profit or loss as other income when the right of the Group to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investment measured at FVOCI are not prepared separately from other changes in fair value.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of HKFRS 9

The application of HKFRS 9 in the current interim period had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3.3 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contract with Customers from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, the Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

In summary, the following adjustments were made to the accounts recognised in the consolidated statement of financial position at the date of the initial application (at 1 April 2018).

	HKAS 11 Carrying amount 31 March 2018 *HK$'000*	Reclassification *HK$'000*	Remeasurement *HK$'000*	HKFRS 15 Carrying amount 1 April 2018 *HK$'000*
Gross amount due from customers for contract work	125,329	(125,329)	–	–
Contract assets	–	87,551	637	88,188
Gross amount due to customers for contract work	37,778	(37,778)	–	–
Current income tax liabilities	–	–	105	105
Retained earnings	161,278	–	532	161,810

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

The impact of the Group's retained earnings as at 1 April 2018 is as follows:

	HK$'000
Closing retained earnings 31 March 2018	161,278
Recognition of revenue and cost over time	637
Increase in tax effect	(105)
Adjustment to retained earnings from adoption of HKFRS 15 on 1 April 2018	532
Opening retained earnings 1 April 2018	161,810

Presentation for contract assets and contract 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 gross amounts due from customers for contract work.

Contract liabilities represent the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Details of contract assets are as follows:

	30 September 2018	1 April 2018
	HK$'000	*HK$'000*
Contract assets related to construction contracts	81,548	88,188

Contract assets consist of unbilled amount resulting from construction when the revenue recognised exceeds the amount billed to the customers.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

Presentation for contract assets and contract liabilities

Details of contract liabilities are as follows:

	30 September 2018 *HK$'000*	1 April 2018 *HK$'000*
Contract liabilities related to construction contracts	–	–

The Group receives payment from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts.

Accounting for revenue recognition

Revenue are recognised when or as the control of the assets is transferred to the customers. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the assets is transferred over time if the Group's performance:

- Provides all of the benefits received and consumed simultaneously by the customer; or
- Create and enhances an assets that the customer controls as the Group performs; or
- Do not create an assets with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

In control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

Accounting for revenue recognition (Continued)

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- Direct measurements of the value transferred by the Group to the customer; or
- The Group's effort or inputs to the satisfaction of the performance obligation.

For construction contract which works directly on the customers' land, being eligible for recognition of revenue over time with creation and enhancement for the asset that customers controlled as the Group performs its performance obligation. The Group recognises revenue using the cost-to-cost method, based primarily on contract cost incurred to date compared with total estimated contract cost. The cost-to-cost method (an input method) is the most faithful depiction of the Group's performance because it directly measures the value of the services transferred to the customer.

4 FINANCIAL RISK MANAGEMENT

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2018.

There have been no changes in the risk management policies since year end.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated interim financial statements 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 expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018.

6 REVENUE AND SEGMENT INFORMATION

All of the revenue of the Group is recognised over time. Revenue and other income recognised during the period are as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Concrete placing and other ancillary services	**178,746**	218,231
Other income		
Bank interest income	**–**	6
Rental income	**956**	702
Interest income from life insurance policies	**41**	40
Insurance claims	**815**	1,731
Gain on disposal of property, plant and equipment	**6**	455
Others	**416**	169
	2,234	3,103

6 REVENUE AND SEGMENT INFORMATION (Continued)

Segment information

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors regards the Group's business as a single operating segment and reviews the financial statements accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

7 FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on:		
– Bank overdrafts and bank borrowings	**11**	209
– Finance leases	**54**	93
– Loan from the former substantial shareholder	**3,134**	–
	3,199	302

8 PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation	**6,464**	6,682
Operating lease rental on premises	**1,597**	455
Staff costs, including directors' emoluments *(Note)*	**104,965**	127,537

Note:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries, allowances and other benefits	**103,822**	162,039
Retirement scheme contributions – defined contribution plan	**1,143**	3,329
	104,965	165,368
Less: Amount included in gross amounts due from/(to) customers for contract work	**–**	(37,831)
	104,965	127,537

9 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for both periods.

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax:		
Current income tax	**1,183**	4,391
Deferred income tax	**–**	(717)
Income tax expense	**1,183**	3,674

10 EARNINGS PER SHARE

For the periods ended 30 September 2017 and 2018, the calculation of the basic earnings per share attributable to owners of the Company was based on: (i) the profit attributable to owners of the Company; and (ii) the weighted average number of 764,800,000 shares in issue during the period.

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

11 DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 September 2018 (2017: Nil).

12 PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment *HK$'000*
Six months ended 30 September 2018 (Unaudited)	
Net book value	
Opening amount as at 1 April 2018	**34,238**
Acquisition of subsidiary	**280**
Additions	**5,200**
Depreciation	**(6,464)**
Closing amount as at 30 September 2018	**33,254**
Six months ended 30 September 2017 (Unaudited)	
Net book value	
Opening amount as at 1 April 2017	42,326
Disposals	(95)
Depreciation	(6,682)
Closing amount as at 30 September 2017	35,549

13 TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 *HK$'000* **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
Trade receivables	**12,386**	9,745
Other receivables, deposits and prepayments	**5,323**	1,748
Retention receivables	**50,959**	58,200
	68,668	69,693

Notes:

(a) Credit terms granted to customers vary from contract to contract. The credit period granted to customers is 14 to 60 days from payment application date generally. Customers generally make payments within 7 to 14 days from the date of issue of payment certificates to the Group.

(b) The ageing analysis of the trade receivables based on the date of payment certificates issued by customers is as follows:

	As at 30 September 2018 *HK$'000* **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
0-30 days	**7,909**	7,592
31-60 days	**4,201**	1,000
61-90 days	**43**	–
Over 90 days	**233**	1,153
	12,386	9,745

14 SHARE CAPITAL

	Number of ordinary shares	Nominal amount *HK$'000* (Unaudited)
Ordinary shares of HK$0.01 each		
Authorised:		
As at 30 September 2017, 1 April 2018 and 30 September 2018	2,000,000,000	20,000
Issued and fully paid:		
As at 30 September 2017, 1 April 2018 and 30 September 2018	764,800,000	7,648

15 BORROWINGS

	As at 30 September 2018 ***HK$'000*** **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
Non-current		
Loan from former substantial shareholder	**129,521**	126,387
Finance lease liabilities	**983**	–
	130,504	126,387
Current		
Finance lease liabilities	**756**	797
Total borrowings	**131,260**	127,184

16 TRADE AND OTHER PAYABLES

	As at 30 September 2018 ***HK$'000*** **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
Trade payables	**10,317**	11,061
Accruals and other payables	**16,079**	29,132
	26,396	40,193

Note:

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

	As at 30 September 2018 ***HK$'000*** **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
0-30 days	**7,100**	9,537
31-60 days	**–**	1,485
61-90 days	**840**	39
Over 90 days	**2,377**	–
	10,317	11,061

17 RELATED PARTY TRANSACTIONS

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

The emoluments of the directors and the senior executives (representing the key management personnel), were as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries, allowances and other benefits	**239**	2,929
Contribution to defined contribution retirement plan	**–**	41
	239	2,970

18 CONTINGENT LIABILITIES

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

19 EVENT AFTER REPORTING PERIOD

On 22 October 2018, the Group acquired the entire issued share capital in and the shareholder's loan of Stand East Investments Limited with consideration of HK$458,880,000 (the "Acquisition"). The consideration in the sum of HK$458,880,000 has been settled by the Company by the allotment and issue a total of 152,960,000 Consideration Shares (as defined in the Company's announcement dated 12 June 2018) as to 99,424,000 shares of the Company to the Vendor and 53,536,000 shares of the Company to Joy Charm Holdings Limited, the Investor.

Stand East Investments Limited is principally engaged in logistics related services including new energy vehicle sales and leasing, road freight transportation, logistics park development and warehousing services in the PRC. The acquisition was made with the objective to explore business opportunities in different sectors which can diversify its source of income and achieve sustainable growth.

Details of the Acquisition are set out in the announcement of the Company dated 12 June 2018, 15 October 2018 and 22 October 2018.

Purchase, sale or redemption of the Company's listed securities

During the Period, neither the Company, nor any of its subsidiaries repurchased, redeemed or sold any of the Company's listed securities.

Competing interests

The Directors confirm that none of the controlling shareholders of the Company or the Directors and their respective close associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business.

Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures

As at 30 September 2018, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Mr. Zhang Jinbing	Interests in controlled corporation (Note)	573,600,000	62.5%

Note: These 573,600,000 Shares are held by Prestige. Mr. Zhang Jinbing beneficially owns the entire issued share capital of Prestige, which in turn beneficially owns 62.5% of the shareholding in the Company. Mr. Zhang Jinbing is the chairman, an executive Director and the chairperson of the Nomination Committee. Mr. Zhang Jinbing is also a director of Prestige.

Substantial shareholders' interests and short positions in Shares and underlying Shares

As at 30 September 2018, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/ interested in	Percentage of shareholding
Prestige	Beneficial owner	573,600,000	62.5%
Prosperous East Investments Limited	Beneficial owner	99,424,000	10.83%
Joy Cham Holdings Limited	Beneficial owner	53,536,000	5.83%

Share option scheme

The Company has adopted a share option scheme (the "**Share Option Scheme**") since 17 October 2016. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the businesses of the Group. No share option had been granted under the Share Option Scheme since its adoption.

Interim dividend for the Period

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

Compliance with the corporate governance code

Code provision A.2.1 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang Jinbing was appointed as the chairman of the Board and chief executive officer of the Company with effect from 12 January 2018. Notwithstanding the deviation from code provision A.2.1, the Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer on the same person can facilitate execution of the Group's business strategies and provide a strong and consistent leadership to the Group. The Board considers that the appointment of Mr. Zhang Jinbing as the chairman of the Board and the chief executive officer of the Company will not impair the balance of power as all major decisions are made in consultation with members of the Board. In addition, under the supervision by the Board which currently consists of two executive Directors and three independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented.

Save as above disclosed, the Company has complied with the applicable code provisions as set out under the CG Code during the Period and up to the date of this report.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. In response to a specific enquiry by the Company, all Directors have confirmed that they had fully complied with the requirements as set out in the Model Code during the Period and up to the date of this report.

Corporate Governance and Other Information

Audit Committee

The Company has an audit committee (the "**Audit Committee**") in accordance with the requirements of the Listing Rules with terms of reference aligned with the provision of the Code as set out in Appendix 14 to the Listing Rules. The Audit Committee is to serve as a focal point for communication between other directors, the external auditors, and the management as their duties relate to financial and other reporting, risk management and internal controls and the audits; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, be satisfying themselves as to the effectiveness of the Company's internal controls and as to the efficiency of the audits. The Audit Committee comprises three independent non-executive Directors, namely Mr. Tam Ping Kuen Daniel (chairman of the Audit Committee), Dr. Zhu Zhengfu and Dr. Li Yifei.

Review of interim financial results

The interim financial results of the Group for the Period are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

By order of the Board
CHONG KIN GROUP HOLDINGS LIMITED
ZHANG Jinbing
Chairman and Executive Director