

# Shun Wo Group Holdings Limited

## 汛和集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1591



# 2018

INTERIM REPORT

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wong Yan Hung (*Chairman*)  
Mr. Wong Tony Yee Pong (*Chief executive officer*)  
Mr. Lai Kwok Fai (*Chief operating officer*)  
Mr. Lam Joseph Chok

### Independent Non-Executive Directors

Mr. Law Ka Ho  
Mr. Leung Wai Lim  
Mr. Tam Wai Tak Victor

## AUDIT COMMITTEE

Mr. Tam Wai Tak Victor (*Chairman*)  
Mr. Law Ka Ho  
Mr. Leung Wai Lim

## REMUNERATION COMMITTEE

Mr. Law Ka Ho (*Chairman*)  
Mr. Leung Wai Lim  
Mr. Wong Tony Yee Pong

## NOMINATION COMMITTEE

Mr. Wong Yan Hung (*Chairman*)  
Mr. Law Ka Ho  
Mr. Tam Wai Tak Victor

## COMPANY SECRETARY

Mr. Chui Gary Wing Yue

## AUTHORISED REPRESENTATIVES

Mr. Wong Tony Yee Pong  
Mr. Chui Gary Wing Yue

## REGISTERED OFFICE

PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## LEGAL ADVISER

David Fong & Co.  
Solicitors, Hong Kong  
Unit A, 12/F.  
China Overseas Building  
139 Hennessy Road  
Wan Chai  
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited  
Room 2103B, 21/F.  
148 Electric Road  
North Point  
Hong Kong

## AUDITORS

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants  
31/F., Gloucester Tower  
The Landmark  
11 Pedder Street, Central  
Hong Kong

## PRINCIPAL BANK

Bank of China (Hong Kong) Limited

## COMPANY'S WEBSITE

[www.shunwogroup.com](http://www.shunwogroup.com)

## STOCK CODE

1591

# Management Discussion and Analysis

The board (the **"Board"**) of directors (the **"Directors"**) of Shun Wo Group Holdings Limited (the **"Company"**) is pleased to present the 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 unaudited figures for the corresponding period in 2017.

## BUSINESS REVIEW AND OUTLOOK

The Group has more than 20 years history in Hong Kong foundation industry, specialising in excavation and lateral support works, socketed H-piling and mini-piling works and pile caps construction works. Hop Kee Construction Company Limited, the principal operating subsidiary, is registered under the Buildings Ordinance as a Registered Specialist Contractor under the sub-register of "Foundation Works" category since December 2009.

As at 30 September 2018, the Group had a total of 10 ongoing projects (including projects that have commenced but not completed as well as projects that have been awarded but not yet commenced) undertaken with the original contract sum of approximately HK\$407.0 million.

It is generally believed that the overall business environment of the foundation industry will continue to slow down in coming years. On the other hand, the increasing number of competitors seeking for tender projects and the reduced number of foundation contracts from the market resulted in the keen competition was further exacerbated.

Besides that, the rising material and production costs have begun to reduce the Group's profit. Accordingly, the Group has continued to adopt a more competitive tender pricing policy and stringent control over the production costs in order to maintain reasonable project's gross margin.

Looking forward, the Group will continue to strengthen its market position, enhance the Group's competitive strengths and remain positive for the Government to boost housing supply significantly in coming years.

## FINANCIAL REVIEW

### Revenue

For the Period, the revenue of the Group has increased by approximately HK\$52.9 million, or approximately 101.1% compared to the corresponding period in 2017, from approximately HK\$52.3 million to approximately HK\$105.2 million. The increase was mainly because of the award of few sizable projects in 2017 undertaken by the Group during the Period.

### Gross Profit and Gross Profit Margin

For the Period, the gross profit of the Group has decreased by approximately HK\$1.4 million, or approximately 13.1% compared to the corresponding period in 2017, from approximately HK\$10.4 million to approximately HK\$9.0 million. The decrease in gross profit was mainly due to the Group has adopted a more competitive tender pricing policy in order to secure new contracts.

### Other income and gains

For the Period, the other income and gains has decreased by approximately HK\$425,000 or approximately 60.2% compared to the corresponding period in 2017, from approximately HK\$706,000 to approximately HK\$281,000. The decrease was due to the decrease in bank interest income and the dividend income received from financial assets during the Period compared to the corresponding period in 2017.

### Administrative and other operating expenses

For the Period, the administrative and other operating expenses have decreased by approximately HK\$1.1 million or approximately 10.7% compared to the corresponding period in 2017, from approximately HK\$10.1 million to approximately HK\$9.0 million.

# Management Discussion and Analysis

## Finance costs

For the Period, the finance costs have decreased by approximately HK\$107,000 or approximately 81.1% compared to the corresponding period in 2017, from approximately HK\$132,000 to approximately HK\$25,000. The decrease in finance costs was mainly due to the decrease in the outstanding balance of the finance lease liabilities during the Period compared to the corresponding period in 2017.

## Profit attributable to owners of the Company

For the Period, the profit attributable to owners of the Company has decreased by approximately HK\$450,000 or approximately 58.7% compared to the corresponding period in 2017, from approximately HK\$766,000 to approximately HK\$316,000. The decrease was primarily due to the decrease in gross profit as discussed above.

## LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

During the Period, there has been no change in capital structure of the Group.

As at 30 September 2018, the Group had total cash and cash equivalents and bank deposits of approximately HK\$78.4 million (31 March 2018: approximately HK\$95.9 million).

As at 30 September 2018, the Group had no debts outstanding due to the fully repayment of finance lease payable during the Period.

## TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

## PLEDGE OF ASSETS

As at 30 September 2018, the Group had no pledged bank deposits and pledged assets under finance leases (31 March 2018: approximately HK\$2.8 million and approximately HK\$6.4 million of bank deposits and net book value of our plant, machinery and equipment were pledged under finance leases respectively).

## EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group only operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk for the Period.

## CAPITAL EXPENDITURE

During the Period, the Group invested approximately HK\$590,000 in the purchase of property, plant and equipment. All these capital expenditures were financed by internal resources.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2018, the Group had no material capital commitments or contingent liabilities.

## MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

# Management Discussion and Analysis

## SIGNIFICANT INVESTMENT HELD

During the Period, the Group had no significant investment.

## FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed under the section headed "Use of Proceeds", the Group does not have any other plans for material investments or capital assets.

## INTERIM DIVIDEND

The Board has resolved not to recommend the declaration of any interim dividend for the Period.

## USE OF PROCEEDS

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

	<b>Planned use of proceeds up to 30 September 2018</b>	Actual Usage up to 30 September 2018
	HK\$'000	HK\$'000
Acquisition of excavators, cranes and breakers	47,500	12,243
Strengthening the workforce and manpower	11,450	6,000
Increasing marketing efforts	3,050	1,511
Funding of general working capital	8,000	8,000
<b>Total</b>	<b>70,000</b>	<b>27,754</b>

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

## EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group employed a total of 73 full-time employees (including executive Directors), as compared to a total of 64 full-time employees as at 31 March 2018. Remuneration is determined with reference to the market terms and the performance, qualifications and experience of the individual employee. In addition to basic salary, performance-linked bonus is offered to those staff with special contributions to the Group, in order to attract and retain capable employees. The total remuneration cost incurred by the Group for the Period was approximately HK\$18.1 million compared to approximately HK\$12.7 million in the corresponding period in 2017.

## EVENTS AFTER THE PERIOD

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

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Notes	For the six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>105,237</b>	52,338
Direct costs		<b>(96,212)</b>	(41,953)
<b>Gross profit</b>		<b>9,025</b>	10,385
Other income and gains	4	<b>281</b>	706
Other losses	5	<b>–</b>	(124)
Administrative and other operating expenses		<b>(8,988)</b>	(10,062)
Finance costs	6	<b>(25)</b>	(132)
<b>Profit before income tax</b>	7	<b>293</b>	773
Income tax credit/(expense)	8	<b>23</b>	(7)
<b>Profit and total comprehensive income for the period attributable to owners of the Company</b>		<b>316</b>	766
<b>Earnings per share attributable to owners of the Company</b>			
— Basic and diluted earnings per share (HK cents)	9	<b>0.008</b>	0.019

# Condensed Consolidated Statement of Financial Position

AS AT 30 SEPTEMBER 2018

	Notes	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	16,155	19,882
<b>Current assets</b>			
Gross amounts due from customers for contract work		–	15,445
Contract assets	12	39,469	–
Trade and other receivables	13	45,729	54,113
Bank deposits	14	2,822	22,812
Current income tax recoverable		361	473
Cash and cash equivalents	15	75,606	73,038
		<b>163,987</b>	165,881
<b>Total assets</b>		<b>180,142</b>	185,763
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
<b>Capital and reserves</b>			
Share capital	16	40,000	40,000
Reserves		122,942	122,371
<b>Total equity</b>		<b>162,942</b>	162,371
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		2,008	2,143
<b>Current liabilities</b>			
Trade and other payables	17	15,192	18,551
Finance lease liabilities	18	–	2,698
		<b>15,192</b>	21,249
<b>Total liabilities</b>		<b>17,200</b>	23,392
<b>Total equity and liabilities</b>		<b>180,142</b>	185,763
<b>Net current assets</b>		<b>148,795</b>	144,632
<b>Total assets less current liabilities</b>		<b>164,950</b>	164,514



# Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance as at 1 April 2017 (Audited)	40,000	56,625	198	59,986	156,809
Profit and total comprehensive income for the period	–	–	–	766	766
Balance as at 30 September 2017 (Unaudited)	40,000	56,625	198	60,752	157,575
Balance as at 31 March 2018 (Audited)	<b>40,000</b>	<b>56,625</b>	<b>198</b>	<b>65,548</b>	<b>162,371</b>
Effect arising from initial application of HKFRS 15	–	–	–	255	255
Adjusted balance at 1 April 2018 (Restated)	<b>40,000</b>	<b>56,625</b>	<b>198</b>	<b>65,803</b>	<b>162,626</b>
Profit and total comprehensive income for the period	–	–	–	316	316
Balance as at 30 September 2018 (Unaudited)	<b>40,000</b>	<b>56,625</b>	<b>198</b>	<b>66,119</b>	<b>162,942</b>

# Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	(14,780)	9,071
Net cash generated from/(used in) investing activities	20,071	(26,561)
Net cash used in financing activities	(2,723)	(2,595)
Net increase/(decrease) in cash and cash equivalents	2,568	(20,085)
Cash and cash equivalents at beginning of the period	73,038	49,415
Cash and cash equivalents at end of the period	75,606	29,330

# Notes to the Condensed Consolidated Financial Statements

## 1. GENERAL INFORMATION

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

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

As at 30 September 2018, its parent and ultimate holding company is May City Holdings Limited ("**May City**"), a company incorporated in the British Virgin Islands (the "**BVI**") and owned as to 40% by Mr. Wong Yan Hung ("**Mr. YH Wong**"), 30% by Mr. Wong Tony Yee Pong ("**Mr. Tony Wong**") and 30% by Mr. Lai Kwok Fai ("**Mr. Lai**").

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

The unaudited interim results for the Period have been reviewed by the Company's audit committee.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements for the Period have been prepared in accordance with the Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

## 3. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis and presented in Hong Kong dollars ("**HK\$**"), which is the same as the functional currency of the Company.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

# Notes to the Condensed Consolidated Financial Statements

## 3. ACCOUNTING POLICIES (CONTINUED)

### 3.1 Changes in accounting policy and disclosures

#### (a) *New and amended standards adopted by Group*

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 Group's 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
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 Contracts
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfer of Investment Property

Other than as further explained below, the adoption of new and revised HKFRSs has had no significant financial effect on the unaudited condensed consolidated financial statements of the Group.

#### ***Impacts and changes in accounting policies of application on HKFRS 9***

In the current interim period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

# Notes to the Condensed Consolidated Financial Statements

## 3. ACCOUNTING POLICIES (CONTINUED)

### 3.1 Changes in accounting policy and disclosures (continued)

(a) *New and amended standards adopted by Group (continued)*

**Key changes in accounting policies resulting from application of HKFRS 9**

- (i) Classification and measurement of financial assets  
Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Directors reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. The Directors considered that the changes in classification and measurement of the financial assets under HKFRS 9 have no significant impact to the Group.

- (ii) Impairment under ECL model  
The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

# Notes to the Condensed Consolidated Financial Statements

## 3. ACCOUNTING POLICIES (CONTINUED)

### 3.1 Changes in accounting policy and disclosures (continued)

(a) *New and amended standards adopted by Group (continued)*

**Key changes in accounting policies resulting from application of HKFRS 9 (continued)**

(iii) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that a default has occurred when the instrument is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

(iv) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

As at 1 April 2018, the Directors reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

**Summary of effects arising from initial application of HKFRS 9**

In the current interim period, the Group applied the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, bank deposits and cash and cash equivalents, and are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

At 1 April 2018, certain trade receivables and contract assets are determined as low credit risk at the date of initial application since the counterparties with a good history of repayment. The Directors also reviewed and assessed the Group's remaining trade receivables and contract assets, and other financial assets for impairment using reasonable and supportable information that is available without undue cost and effort. As a result, no additional loss allowance for financial assets was recognised on transition of HKFRS 9 when applying the expected credit risk model.

# Notes to the Condensed Consolidated Financial Statements

## 3. ACCOUNTING POLICIES (CONTINUED)

### 3.1 Changes in accounting policy and disclosures (continued)

(a) *New and amended standards adopted by Group (continued)*

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

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from undertaking foundation works in Hong Kong.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.

**Key changes in accounting policies resulting from application of HKFRS 15**

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

# Notes to the Condensed Consolidated Financial Statements

## 3. ACCOUNTING POLICIES (CONTINUED)

### 3.1 Changes in accounting policy and disclosures (continued)

(a) *New and amended standards adopted by Group (continued)*

#### **Key changes in accounting policies resulting from application of HKFRS 15 (continued)**

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange of goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group unconditional right to consideration.

A contract liability represents the Group's obligation to transfer goods and services to a customer for which the Group has received consideration from the customer.

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.



# Notes to the Condensed Consolidated Financial Statements

## 3. ACCOUNTING POLICIES (CONTINUED)

### 3.1 Changes in accounting policy and disclosures (continued)

(a) *New and amended standards adopted by Group (continued)*

#### **Summary of effects arising from initial application of HKFRS 15**

The following adjustment was made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	At 31 March 2018 (Audited)	Effect arising from initial application of HKFRS 15	At 1 April 2018
	HK\$'000	HK\$'000	HK\$'000
<b>Current assets</b>			
Gross amounts due from customers for contract work	15,445	(15,445)	–
Trade and other receivables	54,113	(12,787)	41,326
Contract assets	–	28,487	28,487
<b>Equity</b>			
Reserves	122,371	255	122,626

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

	HK\$'000
<b>Retained profits</b>	
Recognition of revenue and cost over time	255
Net increase to retained profits from adoption of HKFRS 15 on 1 April 2018	255

# Notes to the Condensed Consolidated Financial Statements

## 3. ACCOUNTING POLICIES (CONTINUED)

### 3.1 Changes in accounting policy and disclosures (continued)

(a) *New and amended standards adopted by Group (continued)*

#### **Summary of effects arising from application of HKFRS 15 during the interim period**

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 and its condensed consolidated statement of profit or loss for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

*Impact on the condensed consolidated statement of financial position as at 30 September 2018*

	As reported HK\$'000	Adjustment HK\$'000	Amounts without Application of HKFRS 15 HK\$'000
<b>Current assets</b>			
Gross amount due from customers for contract work	–	28,828	28,828
Contract assets	39,469	(39,469)	–
Trade and other receivables	45,729	17,166	62,895
<b>Current liabilities</b>			
Gross amount due to customers for contract work	–	7,062	7,062
<b>Equity</b>			
Reserves	122,942	(537)	122,405

*Impact on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2018*

The following table summarises the impact of transition to HKFRS 15 on profit or loss for the six months ended 30 September 2018.

	HK\$'000
<b>Profit or loss</b>	
Recognition of revenue and cost over time	282
Net increase to profit or loss from adoption of HKFRS 15	282

# Notes to the Condensed Consolidated Financial Statements

## 3. ACCOUNTING POLICIES (CONTINUED)

### 3.1 Changes in accounting policy and disclosures (continued)

#### (b) *New standards, and amendments to standards not yet adopted*

The following new standards and amendments to standards have been issued, but are not effective for the financial year beginning on or after 1 January 2018 and have not been early adopted by the Group.

HKFRS 16	Lease <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures <sup>3</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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

## 4. REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents construction contract receipts in the ordinary course of business. Revenue and other income and gains recognised during the respective period are as follows:

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Revenue</b>		
Main contracting	22,366	13,482
Sub-contracting	82,871	38,856
	<b>105,237</b>	52,338
<b>Other income and gains</b>		
Rental income	58	92
Interest income	111	425
Dividend income from financial assets	–	181
Gain on disposal of property, plant and equipment	51	–
Others	61	8
	<b>281</b>	706

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

# Notes to the Condensed Consolidated Financial Statements

## 5. OTHER LOSSES

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Financial assets at fair value through profit & loss		
— Fair value loss	—	96
Loss on disposal of property, plant and equipment	—	28
	—	124

## 6. FINANCE COSTS

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest on finance leases	25	132

# Notes to the Condensed Consolidated Financial Statements

## 7. PROFIT BEFORE INCOME TAX

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Included in direct costs:		
Depreciation of owned assets	2,333	1,021
Depreciation of assets under finance leases	634	944
Staff costs	13,541	7,952
Operating lease rental in respect of		
— Plant and machinery	1,481	604
— Others	14	16
Included in administrative and other operating expenses:		
Depreciation of owned assets	714	987
Depreciation of assets under finance leases	127	834
Operating lease rental in respect of		
— Premises	726	600
— Car parks	85	77
Staff costs, including directors' emoluments	4,602	4,738

## 8. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong during the respective period are as follows:

	For the six months ended 30 September	
	2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)
Current income tax		
— Hong Kong profit tax	112	–
Deferred income tax	(135)	7
Income tax (credit)/expense	(23)	7

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2.0 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

For the period ended 30 September 2017, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

# Notes to the Condensed Consolidated Financial Statements

## 9. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods. The calculation of basic earnings per share attributable to owners of the Company is based on the following:

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Profit attributable to owners of the Company	316	766
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	4,000,000	4,000,000
Basic earnings per share (HK cents)	0.008	0.019

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

## 10. DIVIDENDS

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

## 11. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group invested approximately HK\$0.6 million in the purchase of property, plant and equipment (2017: approximately HK\$2.8 million), and disposed of property, plant and equipment with a net book value of HK\$0.5 million (2017: HK\$0.1 million).

## 12. CONTRACT ASSETS

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

Included in contract assets are retention held by customers for contract works amounted to approximately HK\$17,166,000 as at 30 September 2018, which were expected to be released after the completion of defects liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

# Notes to the Condensed Consolidated Financial Statements

## 13. TRADE AND OTHER RECEIVABLES

	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	As at 31 March 2018 HK\$'000 (Audited)
Trade receivables	41,852	35,079
Less: allowance for doubtful debts	(223)	–
Trade receivables — net	<b>41,629</b>	35,079
Retention receivables	–	12,787
Other receivables, deposits and prepayments	<b>4,100</b>	6,247
	<b>45,729</b>	54,113

Notes:

- (a) The credit period granted to customers ranges from 30 days to 32 days (31 March 2018: 30 days to 32 days) generally. Trade receivables are denominated in HK\$.
- (b) The ageing analysis of the trade receivables based on invoice date are as follows:

	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	As at 31 March 2018 HK\$'000 (Audited)
0–30 days	16,135	18,305
31–60 days	9,888	8,346
61–90 days	5,533	7,986
Over 90 days	10,296	442
	<b>41,852</b>	35,079

# Notes to the Condensed Consolidated Financial Statements

## 14. BANK DEPOSITS

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Pledged bank deposits	–	2,812
Non-pledged bank deposits	2,822	20,000
Bank deposits	2,822	22,812

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

## 15. CASH AND CASH EQUIVALENTS

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Cash at banks	55,606	63,038
Short-term bank deposits	20,000	10,000
Cash and cash equivalents	75,606	73,038

## 16. SHARE CAPITAL

	Number of ordinary shares	Share Capital HK\$'000
Ordinary share of HK\$0.01 each		
<b>Authorised:</b>		
As at 30 September 2018 (Unaudited) and 31 March 2018 (Audited)	10,000,000,000	100,000
<b>Issued and fully paid:</b>		
As at 30 September 2018 (Unaudited) and 31 March 2018 (Audited)	4,000,000,000	40,000



# Notes to the Condensed Consolidated Financial Statements

## 17. TRADE AND OTHER PAYABLES

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Trade payables	8,512	11,722
Retention payables	3,955	2,168
Accruals and other payables	2,725	4,661
	<b>15,192</b>	<b>18,551</b>

Notes:

(a) Payment terms granted by suppliers are generally with 2 months.

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

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
0–30 days	6,424	4,840
31–60 days	669	5,261
61–90 days	115	287
Over 90 days	1,304	1,334
	<b>8,512</b>	<b>11,722</b>

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

## 18. FINANCE LEASE LIABILITIES

The Group had finance leases repayable as follows:

	As at 30 September 2018 (Unaudited)		As at 31 March 2018 (Audited)	
	Present value of the minimum lease payment HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payment HK\$'000	Total minimum lease payments HK\$'000
Within one year	–	–	2,698	2,734
More than one year but not more than two years	–	–	–	–
	–	–	2,698	2,734
Less: total future interest expenses		–		(36)
Present value of lease obligations		–		2,698

# Notes to the Condensed Consolidated Financial Statements

## 19. RELATED PARTIES TRANSACTIONS

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

- (a) The Directors are of the view that the following companies that had transactions with the Group are related parties:

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

- (b) Transactions with related parties

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Rental of premises, warehouse and car parking spaces paid to:		
Hop Kee Development Co., Limited	126	124
Shun Tai Holdings Limited	360	172

Note:

The rental expenses for premises, warehouse and car parking spaces payable to the above related parties are based on the agreements entered into between the parties involved.

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

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Short-term employee benefits	1,800	1,711
Post-employment benefits	36	34
	<b>1,836</b>	<b>1,745</b>

# Notes to the Condensed Consolidated Financial Statements

## 20. COMMITMENTS

### Operating lease commitments — Group as lessee

At 30 September 2018 and 31 March 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Within one year	588	588
In the second to fifth years inclusive	49	343
	<b>637</b>	931

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

# CORPORATE GOVERNANCE/ OTHER INFORMATION

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

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

### i. Long position in our Shares

Name of Directors	Capacity/Nature	Number of Shares held/ interested	Percentage of shareholding
Mr. Wong Yan Hung	Interest in a controlled corporation (Note)	2,040,000,000	51%
Mr. Wong Tony Yee Pong	Interest in a controlled corporation (Note)	2,040,000,000	51%
Mr. Lai Kwok Fai	Interest in a controlled corporation (Note)	2,040,000,000	51%

Note:

These 2,040,000,000 Shares are held by May City, the entire issued share capital of which is owned as to 40% by Mr. Wong Yan Hung, 30% by Mr. Wong Tony Yee Pong and 30% by Mr. Lai Kwok Fai. Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai have had a mutual understanding all along to jointly control the Group and thus they are presumed to be acting in concert (within the meaning of the Codes on Takeovers and Mergers and Share Buy-backs (the "Takeovers Code")). Therefore, each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is deemed, or taken to be, interested in all the Shares held by May City for the purposes of the SFO. Each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is a director of May City.

### ii. Long position in the shares of associated corporation

Name of Directors	Name of associated corporation	Capacity/Nature	Number of shares held/ interested in	Percentage of interest
Mr. Wong Yan Hung	May City	Beneficial interest	40	40%
Mr. Wong Tony Yee Pong	May City	Beneficial interest	30	30%
Mr. Lai Kwok Fai	May City	Beneficial interest	30	30%

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

# CORPORATE GOVERNANCE/ OTHER INFORMATION

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

As at 30 September 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 positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name	Capacity/Nature	Number of Shares held/ interested in	Percentage of interest
May City	Beneficial interest (Note 1)	2,040,000,000	51%
Ms. Choi Mei Chu	Interest of spouse (Note 2)	2,040,000,000	51%
Ms. Lee Pik Yu, Kenji	Interest of spouse (Note 3)	2,040,000,000	51%
Ms. Mak Kit Ling	Interest of spouse (Note 4)	2,040,000,000	51%

Notes:

1. These 2,040,000,000 Shares are held by May City, the entire issued share capital of which is owned as to 40% by Mr. Wong Yan Hung, 30% by Mr. Wong Tony Yee Pong and 30% by Mr. Lai Kwok Fai. Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai have had a mutual understanding all along to jointly control the Group and thus they are presumed to be acting in concert (within the meaning of the Takeovers Code). Therefore, each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is deemed, or taken to be, interested in all the Shares held by May City for the purposes of the SFO. Each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is a director of May City.
2. Ms. Choi Mei Chu is the spouse of Mr. Wong Yan Hung and is deemed or taken to be interested in all the Shares in which Mr. Wong Yan Hung has, or is deemed to have, an interest for the purposes of the SFO.
3. Ms. Lee Pik Yu, Kenji is the spouse of Mr. Wong Tony Yee Pong and is deemed or taken to be interested in all the Shares in which Mr. Wong Tony Yee Pong has, or is deemed to have, an interest for the purposes of the SFO.
4. Ms. Mak Kit Ling is the spouse of Mr. Lai Kwok Fai and is deemed or taken to be interested in all the Shares in which Mr. Lai Kwok Fai has, or is deemed to have, an interest for the purposes of the SFO.

Save as disclosed above, as at 30 September 2018, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

# CORPORATE GOVERNANCE/ OTHER INFORMATION

## SHARE OPTION SCHEME

The Company has adopted a share option scheme (the **"Share Option Scheme"**) on 3 September 2016. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 3 September 2016, and there is no outstanding share option as at 30 September 2018.

## COMPETING INTERESTS

The Directors confirm that neither the Directors nor the controlling shareholders of the Company nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Period, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining good corporate governance to safeguard the interest of shareholders and to achieve effective accountability. The Company has adopted the corporate governance code (the **"CG code"**) contained in Appendix 14 of the Listing Rules. To the best knowledge of the Board, the Company has complied with the CG code during the Period and up to the date of this report.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the required Model Code's standard during the Period and up to the date of this report.

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

During the Period and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Period.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules during the Period and up to the date of this report.

# CORPORATE GOVERNANCE/ OTHER INFORMATION

## AUDIT COMMITTEE

The Company established an Audit Committee on 3 September 2016 with written terms of reference in compliance with the CG code. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the Group's financial report system, risk management and internal control procedures, provide advice and comments to the Board, and monitor the independence and objective of the external auditor.

The Audit Committee consists of three members who are all independent non-executive Directors, namely, Mr. Tam Wai Tak Victor, Mr. Law Ka Ho and Mr. Leung Wai Lim. Mr. Tam Wai Tak Victor is the Chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results for the Period. The Audit Committee was of the opinion that the preparation of such results complied with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

## APPRECIATION

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

By Order of the Board

**Shun Wo Group Holdings Limited**

**Wong Yan Hung**

*Chairman*

Hong Kong, 30 November 2018