

Century Group International Holdings Limited

世紀集團國際控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 2113

INTERIM REPORT
2019



CONTENTS

| | |
|--|----|
| Corporate Information | 2 |
| Financial Highlights | 3 |
| Management Discussion and Analysis | 4 |
| Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income | 9 |
| Interim Condensed Consolidated Statement of Financial Position | 10 |
| Interim Condensed Consolidated Statement of Changes in Equity | 11 |
| Interim Condensed Consolidated Statement of Cash Flows | 12 |
| Notes to the Condensed Consolidated Interim Financial Information | 13 |
| Corporate Governance and Other Information | 27 |

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Li Xiangzhong

(Chairman and Chief Executive Officer)

Mr. Cao Qian

Independent Non-executive Directors

Mr. Cheung Wai Lun Jacky

Mr. Lee Chi Ming

Mr. Tang Chi Wai

Audit Committee

Mr. Tang Chi Wai *(Chairman)*

Mr. Cheung Wai Lun Jacky

Mr. Lee Chi Ming

Nomination Committee

Mr. Lee Chi Ming *(Chairman)*

Mr. Cheung Wai Lun Jacky

Mr. Tang Chi Wai

Remuneration Committee

Mr. Cheung Wai Lun Jacky *(Chairman)*

Mr. Lee Chi Ming

Mr. Tang Chi Wai

Company Secretary

Mr. Lo Wing Sang

Authorised Representatives

Mr. Li Xiangzhong

Mr. Lo Wing Sang

Headquarter and Principal Place of Business in Hong Kong

Office D, 16/F

Kings Wing Plaza 1

No. 3 On Kwan Street

Shek Mun

New Territories

Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

Level 54

Hopewell Centre

183 Queen's Road East

Hong Kong

Principal Banks

Shanghai Commercial Bank Ltd.

The Hongkong and Shanghai Banking

Corporation Limited

Auditor

SHINEWING (HK) CPA Limited

43/F, Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

Company's Website

www.cherishholdings.com

Stock Code

2113

The board (the “Board”) of directors (the “Directors”) of Century Group International 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 2019 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2018:

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Reporting Period amounted to approximately HK\$136.0 million (for the six months ended 30 September 2018: approximately HK\$76.9 million).
- Profit attributable to owners of the Company for the Reporting Period amounted to approximately HK\$249,000 (for the six months ended 30 September 2018: loss attributable to owners of the Company approximately HK\$8.0 million).
- Basic and diluted earnings per share for the Reporting Period amounted to approximately HK cents 0.03 (basic and diluted loss per share for the six months ended 30 September 2018: approximately HK cents 1.05).
- The Board does not declare any interim dividend for the Reporting Period (for the six months ended 30 September 2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Reporting Period, the Group was engaged to undertake site formation works in Hong Kong as a subcontractor. There has been no significant change in the business operations of the Group.

During the Reporting Period, revenue amounted to approximately HK\$136.0 million, approximately HK\$59.1 million higher than the corresponding period in 2018. Such increase was mainly attributable to the better performance in this period under review that there were two newly awarded projects and number of projects in progress were more than that of the corresponding period in 2018. During the Reporting Period, the Group was awarded two projects in Islands District with total contract sum of approximately HK\$50.3 million whereas in contrast the Group was awarded two new projects with total contract sum of approximately HK\$13.6 million for the six months ended 30 September 2018. Further, one of newly awarded projects with contract sum of HK\$25.8 million was completed in the Reporting Period (six months ended 30 September 2018: completion of two projects awarded in previous years with contract sum of HK\$143.7 million). As at 30 September 2019, there were six projects on hand with the total contract sum of HK\$432.7 million and outstanding contract sum of HK\$166.2 million (as at 30 September 2018: three projects with total outstanding contract sum of HK\$204.5 million). Out of these six projects on hand, two projects with total contract sum of HK\$370.4 million are expected to be completed in the year ending 31 March 2021 and the remaining four projects with total contract sum of HK\$62.3 million are expected to be completed in the year ending 31 March 2020.

Below set out a list of projects completed during the Reporting Period and those projects which are still in progress as at 30 September 2019:

| Site Location | Type of Work | Status | Contract Sum (HK\$'Million) |
|--------------------|--|-------------|--------------------------------|
| Islands District | Airport road diversion and reinstatement of footpath | In progress | 13.6 |
| Islands District | Removal of rock material | In progress | 10.6 |
| Islands District | Earthworks, excavation and lateral support works (the "ELS") and breaking off pile heads | In progress | 13.6 |
| Kwun Tong District | Site formation works | In progress | 310.0 |
| Southern District | Site formation, ELS and slope stabilisation works | In progress | 60.4 |
| Islands District | Marine works* | Completed | 25.8 |
| Islands District | Marine works* | In progress | 24.5 |

* Newly awarded in the period under review.

Financial Review

The Group recorded revenue of approximately HK\$136.0 million for the Reporting Period, representing an increase of approximately 76.9% compared with approximately HK\$76.9 million for the corresponding period in 2018. The increase was mainly due to increase in the number of projects on hand which are in progress during the period under review as mentioned above. Further, a sum of HK\$7.0 million was fully received for an outstanding balance claim on some variation orders of a project located in Islands District which was already completed in the last financial year.

The Group's total gross profit amounted to approximately HK\$10.7 million for the Reporting Period, turning loss into profit compared to the six months ended 30 September 2018 (for the six months ended 30 September 2018: gross loss of approximately HK\$3.3 million). The Group's overall gross profit margin during the Reporting Period was approximately 7.9% (for the six months ended 30 September 2018: gross loss margin of approximately 4.4%).

The turnaround of gross loss to gross profit was mainly attributable to the increase in the number of projects on hand and the successful claim of HK\$7.0 million from the variation orders of the previously completed project where its relevant costs were mainly recognised in the last financial year.

The administrative expenses of the Group for the Reporting Period amounted to approximately HK\$11.6 million, representing an increase of approximately 103.5% compared with approximately HK\$5.7 million for the corresponding period of 2018. The increase was mainly attributable to the payment of a performance bonus of HK\$3 million to two directors and a compensation of HK\$2.3 million to a staff who resigned from the Group in the period under review.

Finance costs for the Group during the Reporting Period remained relatively stable as compared with the corresponding period of 2018 primarily due to none of interest on finance lease as a result of full settlement of finance leases in 2018 was almost offset by the increase in interest on secured other loan in 2019.

For the Reporting Period, the Group recorded a net profit of approximately HK\$249,000, as compared to the net loss of approximately HK\$8.0 million for the corresponding period in 2018. The turnaround from loss to profit was mainly attributable to the increase in turnover and gross profit as discussed above.

Prospects

During the Reporting period, the global economy remains uncertain and the competition in construction market is relatively keen. The Group will continue to focus on developing business of undertaking site formation works in Hong Kong due to its long established reputation and proven ability. Taking into the account the recent housing policy and land supply of the Hong Kong Government in increasing land supply for housing developments for both private and public sectors, the Group expects a steady growth of Hong Kong's construction industry in the long run. In view of this, the management remains prudently optimistic about prospects of the construction market. The Group will keep on improving the effectiveness and project management skills of our site formation works, and seeking potential business opportunities that will broaden the sources of income and enhance value to the shareholders.

Liquidity, Financial Resources and Capital Resources

As at 30 September 2019, the Group had bank balances of approximately HK\$14.3 million (31 March 2019: approximately HK\$13.0 million). The increase was mainly due to the completion of a placement of shares as stated below.

On 27 September 2019, the Company completed a placement of an aggregate of 37,000,000 newly issued shares at HK\$0.222 per share. The net proceeds from the placing amounted to approximately HK\$7.9 million. For details, please refer to the paragraph of "Placement of shares" as below.

The gearing ratio is calculated based on the amount of total interest-bearing debts divided by total equity. The gearing ratios of the Group were increased from nil at 31 March 2019 to approximately 34.9% at 30 September 2019. The increase in gearing ratios was primarily due to secured other loan of HK\$30.0 million during the Reporting Period.

Placement of Shares

Reference is made to the announcement of the Company dated 27 September 2019 in relation to the placing of 37,000,000 shares by the Company (the "Placing") (the "Announcement"). The Company completed a placement of an aggregate of 37,000,000 newly issued Shares ("Placing Shares"), which represent approximately 4.60% of the Company's issued share capital immediately after completion of the Placing. The Placing Shares were allotted and issued under the general mandate which was granted to the Directors of the Group by the shareholders at the annual general meeting of the Company held on 6 September 2018 to allot, issue and deal with up to 20% of the then issued shares. They have been successfully placed to not less than six places at the Placing Price of HK\$0.222 per Placing Share. The net proceeds from the Placing amounted to approximately HK\$7.9 million. As disclosed in the Announcement, the Company intends to use the net proceeds as general working capital for the Group and to finance potential business opportunities to be identified.

Pledge of Assets

As at 30 September 2019, the Group's certain plant and machinery with net book value of approximately HK\$18.9 million were pledged for a nine months loan of HK\$30.0 million at an interest rate of 8.0% per annum as at 31 May 2019.

Foreign Exchange Risk

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are 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 if and when they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the Reporting Period.

Employees and Remuneration Policy

As at 30 September 2019, the Group employed 162 staff (31 March 2019: 166 staff). Total staff costs including directors' emoluments for the Reporting Period, amounted to approximately HK\$37.2 million (for the six months ended 30 September 2018: approximately HK\$31.5 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the Reporting Period, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

Capital Structure

During the Reporting Period, the Company completed a placement of an aggregate of 37,000,000 Placing Shares, which represent approximately 4.60% of the Company's issued share capital immediately after completion of the Placing. The Placing Shares were allotted and issued under the general mandate which was granted to the Directors by the shareholders at the annual general meeting of the Company held on 6 September 2018 to allot, issue and deal with up to 20% of the then issued Shares. They have been successfully placed to not less than six placees at the placing price of HK\$0.222 per Placing Share. The net proceeds from the Placing amounted to approximately HK\$7.9 million. As disclosed in the Announcement, the Company intends to use the net proceeds as general working capital for the Group and to finance potential business opportunities to be identified.

Capital Commitments

As at 30 September 2019, the Group did not have any capital commitments (31 March 2019: nil).

Contingent Liabilities

As at 30 September 2019, our Group did not have any significant contingent liabilities (31 March 2019: nil).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

| | | Six months ended | |
|--|-------|-------------------------|-------------|
| | | 30 September | |
| | | 2019 | 2018 |
| | Notes | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 5 | 136,044 | 76,860 |
| Cost of sales | | (125,331) | (80,208) |
| Gross profit (loss) | | 10,713 | (3,348) |
| Other income | 6 | 886 | 305 |
| Administrative expenses | | (11,558) | (5,681) |
| Finance costs | 7 | (625) | (661) |
| Profit (loss) before taxation | | (584) | (9,385) |
| Income tax credit | 8 | 833 | 1,344 |
| Profit (loss) and total comprehensive income (expense) for the period | 9 | 249 | (8,041) |
| Earnings (loss) per share (HK cents) | | | |
| – Basic and diluted | 10 | 0.03 | (1.05) |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

| | Notes | As at 30 September 2019 HK\$'000 (Unaudited) | As at 31 March 2019 HK\$'000 (Audited) |
|--|-------|--|--|
| Non-current assets | | | |
| Plant and equipment | 12 | 18,855 | 25,493 |
| Financial assets at fair value through other comprehensive income | | —* | —* |
| Right-of-use assets | | 688 | — |
| Restricted bank balances | | 15,369 | 15,293 |
| | | 34,912 | 40,786 |
| Current assets | | | |
| Trade and other receivables | 14 | 44,785 | 16,850 |
| Contract assets | 13 | 72,617 | 43,523 |
| Bank balances and cash | | 14,261 | 12,997 |
| | | 131,663 | 73,370 |
| Current liabilities | | | |
| Trade and other payables | 15 | 47,213 | 32,481 |
| Amount due to a director | | — | 350 |
| Lease liabilities | | 444 | — |
| Other loan | 16 | 30,000 | — |
| | | 77,657 | 32,831 |
| Net current assets | | 54,006 | 40,539 |
| Total assets less current liabilities | | 88,918 | 81,325 |
| Non-current liabilities | | | |
| Lease liabilities | | 248 | — |
| Deferred tax liability | | 2,652 | 3,485 |
| | | 2,900 | 3,485 |
| Net assets | | 86,018 | 77,840 |
| Capital and reserves | | | |
| Share capital | 17 | 8,048 | 7,678 |
| Reserves | | 77,970 | 70,162 |
| Total equity | | 86,018 | 77,840 |

* Less than HK\$1,000

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

| | Share capital HK\$'000 | Share premium HK\$'000 | Merger reserve (note) HK\$'000 | Retained profits (accumulated losses) HK\$'000 | Total equity HK\$'000 |
|---|------------------------------|------------------------------|---|--|-----------------------------|
| At 1 April 2018 (audited) | 7,678 | 102,392 | - | 54,662 | 164,732 |
| Effect arising from application of HKFRS 15 | - | - | - | (1,694) | (1,694) |
| At 1 April 2018 | 7,678 | 102,392 | - | 52,968 | 163,038 |
| Loss and total comprehensive expense for the period | - | - | - | (8,041) | (8,041) |
| At 30 September 2018 (unaudited) | 7,678 | 102,392 | - | 44,927 | 154,997 |
| At 1 April 2019 (audited) | 7,678 | 102,392 | - | (32,230) | 77,840 |
| Profit and total comprehensive income for the period | - | - | - | 249 | 249 |
| Issue of shares upon placing (note 17) | 370 | 7,844 | - | - | 8,214 |
| Direct expenses of placing (note 17) | - | (285) | - | - | (285) |
| At 30 September 2019 (unaudited) | 8,048 | 109,951 | - | (31,981) | 86,018 |

Note: Merger reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) |
| OPERATING ACTIVITIES | | |
| Cash used in operations | (36,309) | (15,235) |
| Tax paid | - | (1,444) |
| NET CASH USED IN OPERATING ACTIVITIES | (36,309) | (16,679) |
| INVESTING ACTIVITIES | | |
| Purchase of plant and equipment | (150) | (3,720) |
| Proceeds from disposals of plant and equipment | 383 | 120 |
| Interest received | 78 | 33 |
| NET CASH FROM (USED IN) INVESTING ACTIVITIES | 311 | (3,567) |
| FINANCING ACTIVITIES | | |
| Repayment of obligations under finance leases | - | (8,127) |
| Interest paid | (667) | (661) |
| Repayment of unsecured bank borrowings | - | (9,000) |
| Issue of shares upon placing | 8,214 | - |
| Direct expenses of placing | (285) | - |
| Other loan raised | 30,000 | 9,000 |
| Shareholders' loans raised | 10,676 | - |
| Repayment of shareholders' loans | (10,676) | - |
| NET CASH FROM (USED IN) OPERATING ACTIVITIES | 37,262 | (8,788) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,264 | (29,034) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 12,997 | 31,089 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD REPRESENTED BY BANK BALANCES AND CASH | 14,261 | 2,055 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL AND BASIS OF PREPARATION

Century Group International Holdings Limited (the “Company”) was incorporated and registered as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 31 March 2016 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 17 October 2016. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the interim report.

Its immediate holding company is China Century Holdings Limited (“China Century”), a company incorporated in the British Virgin Islands (the “BVI”). China Century is owned by World Communication International Holdings Limited, Xianghua International Holdings Limited and China Medival Group Limited, companies incorporated in the BVI, which are ultimately owned by Mr. Cao Qian, Mr. Li Xiangzhong and Mr. Zhang Chengzhou respectively.

The Company is an investment holding company. C & H Engineering Company Limited (“C&H”), being the principal subsidiary of the Company, is principally engaged in provision of site formation works.

The condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group for the six months ended 30 September 2019 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial information have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value.

The accounting policies used in the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2019.

| | |
|-----------------------|--|
| HKFRS 16 | Leases |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKRSs 2015–2017 Cycle |

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the interim condensed consolidated financial information. The new accounting policies are set out in note 4 below. The application of other new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the interim condensed consolidated financial information.

3.1 Impacts on adoption of HKFRS 16 *Leases*

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 4. The Group has applied HKFRS 16 *Leases* retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019, and has not restated comparatives for the 2019 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) – 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

The major impacts of the adoption of HKFRS 16 on the Group's interim condensed consolidated financial information are described below.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5.1%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The following table summarises the impact of transition to HKFRS 16 at 1 April 2019. Line items that were not affected by the adjustments have not been included.

| | | Carrying amount previously reported at 31 March 2019 | Impact on adoption of HKFRS 16 | Carrying amount as restated at 1 April 2019 |
|---------------------|-------------|---|---|--|
| | <i>Note</i> | HK\$'000 (Audited) | HK\$'000 | HK\$'000 (Unaudited) |
| Right-of-use assets | <i>(a)</i> | – | 27 | 27 |
| Lease liabilities | <i>(a)</i> | – | (27) | (27) |

Note:

- (a) As at 1 April 2019, right-of-use assets were measured at an amount equal to the lease liability of approximately HK\$27,000.

3.2 Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-4 *Determining whether an arrangement contains a Lease*;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

4. CHANGE IN ACCOUNTING POLICIES

Leases

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Plant and equipment" policy as stated in the Group's annual consolidated financial statements for the year ended 31 March 2019.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on the construction and site formation services rendered for both periods.

Segment information

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

6. OTHER INCOME

| | Six months ended 30 September | |
|---|--|-------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Bank interest income | 78 | 33 |
| Gain on disposals of plant and equipment | 383 | – |
| Refund of contributions from the Mandatory Provident Fund Scheme | 331 | 116 |
| Others | 94 | 156 |
| | 886 | 305 |

7. FINANCE COSTS

| | Six months ended 30 September | |
|---|--|-------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interest on: | | |
| – unsecured bank overdrafts and unsecured bank borrowing | – | 55 |
| – other loan | 612 | – |
| – lease liabilities | 13 | – |
| – obligations under finance leases | – | 606 |
| | 625 | 661 |

8. INCOME TAX CREDIT

| | Six months ended 30 September | |
|-------------------|--|-------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Deferred taxation | 833 | 1,344 |

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI as there is no income tax imposed in these jurisdictions.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax has been made for both periods as there were no assessable profits generated.

9. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived after charging:

| | Six months ended 30 September | |
|---|--|-------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Staff costs, including directors' emoluments | | |
| – Salaries, wages, allowances and other benefits | 35,965 | 30,099 |
| – Contributions to retirement benefits scheme | 1,264 | 1,404 |
| Total staff costs | 37,229 | 31,503 |
| Depreciation of plant and equipment | 6,788 | 9,944 |
| Depreciation of right-of-use assets | 208 | – |
| Loss on disposals of plant and equipment | – | 180 |
| Minimum lease payments paid under operating lease in respect of office premises | – | 130 |

10. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following:

| | Six months ended 30 September | |
|--|--|-------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |

Earnings

Profit (loss) for the period attributable to the owners
of the Company

| | |
|------------|---------|
| 249 | (8,041) |
|------------|---------|

| | Six months ended 30 September | |
|--|--|-------------|
| | 2019 | 2018 |
| | '000 | '000 |
| | (Unaudited) | (Unaudited) |

Number of shares

Weighted average number of ordinary shares for
the purpose of calculating basic earnings (loss)
per share

| | |
|----------------|---------|
| 768,357 | 767,750 |
|----------------|---------|

The diluted earnings (loss) per share is equal to the basic earnings (loss) per share as there were no dilutive potential ordinary shares outstanding during both periods.

11. DIVIDENDS

No dividend was paid, declared or proposed during the Reporting Period, nor has any dividend been declared since the end of the interim period (six months ended 30 September 2018: nil).

12. PLANT AND EQUIPMENT

| | Plant and equipment HK\$'000 |
|---|--|
| <hr/> | |
| Six months ended 30 September 2019 | |
| Net book value | |
| Opening amount as at 1 April 2019 (Audited) | 25,493 |
| Addition | 150 |
| Depreciation | (6,788) |
| | <hr/> |
| Closing amount as at 30 September 2019 (Unaudited) | 18,855 |
| | <hr/> |
| Six months ended 30 September 2018 | |
| Net book value | |
| Opening amount as at 1 April 2018 (Audited) | 51,166 |
| Addition | 3,720 |
| Disposals | (300) |
| Depreciation | (9,944) |
| | <hr/> |
| Closing amount as at 30 September 2018 (Unaudited) | 44,642 |
| | <hr/> |

13. CONTRACT ASSETS

| | As at 30 September 2019 HK\$'000 (Unaudited) | As at 31 March 2019 HK\$'000 (Audited) |
|---|---|--|
| Unbilled revenue of construction contracts | 41,778 | 17,335 |
| Retention receivables of construction contracts | 30,839 | 26,188 |
| | <hr/> | <hr/> |
| | 72,617 | 43,523 |
| | <hr/> | <hr/> |

14. TRADE AND OTHER RECEIVABLES

| | As at 30 September 2019 HK\$'000 (Unaudited) | As at 31 March 2019 HK\$'000 (Audited) |
|---|---|--|
| Trade receivables | 14,535 | 12,171 |
| Prepayments, deposits and other receivables | 30,250 | 4,679 |
| | 44,785 | 16,850 |

The Group does not hold any collateral over these balances.

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aged analysis of trade receivables, presented based on the date of the certified report which approximates revenue recognition date and invoice date at the end of each reporting period:

| | As at 30 September 2019 HK\$'000 (Unaudited) | As at 31 March 2019 HK\$'000 (Audited) |
|---------------|---|--|
| 0 to 30 days | 13,905 | 12,063 |
| 31 to 60 days | 630 | 108 |
| | 14,535 | 12,171 |

15. TRADE AND OTHER PAYABLES

| | As at 30 September 2019 HK\$'000 (Unaudited) | As at 31 March 2019 HK\$'000 (Audited) |
|-------------------------------------|---|--|
| Trade payables | 36,269 | 11,530 |
| Retention payables | 5,033 | 2,402 |
| Amounts due to ex-directors | 366 | 12,000 |
| Accrued expenses and other payables | 5,545 | 6,549 |
| | 47,213 | 32,481 |

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

| | As at 30 September 2019 HK\$'000 (Unaudited) | As at 31 March 2019 HK\$'000 (Audited) |
|----------------|---|--|
| 0 to 30 days | 24,543 | 4,223 |
| 31 to 60 days | 9,303 | 4,326 |
| 61 to 90 days | 1,590 | 2,164 |
| 91 to 365 days | 833 | 817 |
| | 36,269 | 11,530 |

16. OTHER LOAN

| | As at 30 September 2019 HK\$'000 (Unaudited) | As at 31 March 2019 HK\$'000 (Audited) |
|--|---|--|
| Secured loan from an independent third party | 30,000 | – |

As at 30 September 2019, the loan was secured by the Group's certain plant and machinery with net book value of HK\$18.9 million (2019: nil). The loan carries interest at a fixed interest rate of 8% per annum and is repayable on 28 February 2020.

17. SHARE CAPITAL

| | Number of shares | Share Capital HK\$'000 |
|---|-----------------------------|-----------------------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised | | |
| At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019 | 2,000,000,000 | 20,000 |
| Issued and fully paid: | | |
| At 1 April 2018, 31 March 2019 and 1 April 2019 | 767,750,000 | 7,678 |
| Issue of shares upon placing (note) | 37,000,000 | 370 |
| At 30 September 2019 | 804,750,000 | 8,048 |

Note:

On 27 September 2019, arrangements were made for a private placement to independent private investors of 37,000,000 ordinary shares of HK\$0.222 per share, raising a total of net proceeds of HK\$7,929,000, after deducting direct expenses of HK\$285,000. These new shares were issued under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 6 September 2018 and rank pari passu with other shares in issue in all respects.

18. RELATED PARTY TRANSACTIONS

- (a) During the Reporting Period, the Group entered into transactions with related parties as follows:

| Related party | Nature of transaction | Six months ended 30 September | |
|-------------------------|-----------------------|----------------------------------|---------------------------------|
| | | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) |
| Ms. Choi Chun Chi Sandy | Office rental paid | 220 | 180 |

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the Reporting Period were as follows:

| | Six months ended 30 September | |
|--------------------------|----------------------------------|---------------------------------|
| | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) |
| Short-term benefits | 3,175 | 3,115 |
| Post-employment benefits | - | 36 |
| | 3,175 | 3,151 |

The remuneration of the directors of the Company and key executives is determined by the remuneration committee having regard to the performance of the individuals and market trends.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Significant investment, acquisitions and disposals

During the period, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries or associated companies.

Future plans for material investments or capital assets

The Company does not have any other plans for material investments or capital assets.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

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 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 2019, the interests and short positions of the Directors and chief executive 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") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), notified to the Company and the Stock Exchange were as follows:

Interests in Share of the Company

| Name of Director | Capacity/Nature | Number of Shares held/ interested | Percentage of interest |
|-------------------------------|--------------------------------------|--|-------------------------------|
| Mr. Cao Qian (Note 2) | Interest of a controlled corporation | 560,535,000 (L) (Note 1) | 69.65% |
| Mr. Li Xiangzhong (Note 3) | Interest of a controlled corporation | 560,535,000 (L) (Note 1) | 69.65% |

Notes:

1. The letter "L" demonstrates long position in such securities.
2. The shares held by China Century Holdings Limited is indirectly owned as to 30% by Mr. Cao Qian through his wholly-owned company, namely World Communication International Holdings Limited.
3. The shares held by China Century Holdings Limited is indirectly owned as to 30% by Mr. Li Xiangzhong through his wholly-owned company, namely Xianghua International Holdings Limited.

Interest in associated corporations

| Name of Director | Name of associated corporation | Capacity/Nature | Number of Shares held/ interested | Percentage of interest |
|-------------------|--|--------------------------------------|-----------------------------------|------------------------|
| Mr. Cao Qian | World Communication International Holdings Limited | Beneficial owner (Notes 1 and 2) | 1 | 100% |
| | China Century Holdings Limited | Interest of a controlled corporation | 39,000 | 30% |
| Mr. Li Xiangzhong | Xianghua International Holdings Limited | Beneficial owner (Notes 1 and 3) | 1 | 100% |
| | China Century Holdings Limited | Interest of a controlled corporation | 39,000 | 30% |

Notes:

1. Mr. Cao Qian and Mr. Li Xiangzhong indirectly and beneficially own 30% respectively, of the issued shares of China Century Holdings Limited. China Century Holdings Limited holds 69.65% of the Shares in issue of the Company.
2. The shares held by China Century Holdings Limited is indirectly owned as to 30% by Mr. Cao Qian through his wholly-owned company, namely World Communication International Holdings Limited.
3. The shares held by China Century Holdings Limited is indirectly owned as to 30% by Mr. Li Xiangzhong through his wholly-owned company, namely Xianghua International Holdings Limited.

Rights to purchase shares or debentures of directors and chief executive

Save for the existing share option scheme of the Company, no arrangements to which the Company, its subsidiary, its holding company or a subsidiary of its holding company is or was a party to enable the Directors and the chief executive of the Company to acquire benefits by means of acquisitions of shares in or debentures of the Company or any other body corporate subsisted at the end of the period or at any time during the period.

Substantial shareholders' and others' interests and short positions in shares and underlying shares

As at 30 September 2019, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which fell 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 | Number of Shares held/ interested | Percentage of interest |
|--|--------------------------------------|--|-------------------------------|
| China Century Holdings Limited | Beneficial owner | 560,535,000 (L) (Note 1) | 69.65% |
| World Communication International Holdings Limited | Interest of a controlled corporation | 560,535,000 (L) (Notes 1 and 3) | 69.65% |
| Xianghua International Holdings Limited | Interest of a controlled corporation | 560,535,000 (L) (Notes 1 and 4) | 69.65% |
| Deng Shuting | Interest of a spouse | 560,535,000 (L) (Notes 1 and 2) | 69.65% |

Notes:

1. The letter “L” demonstrates long position in such securities.
2. The shares represent the shares held indirectly by Mr. Li Xiangzhong, the spouse of Ms. Deng Shuting.
3. The shares held by China Century Holdings Limited is indirectly owned as at 30% by Mr. Cao Qian through his wholly-owned company, namely World Communication International Holdings Limited.
4. The shares held by China Century Holdings Limited is indirectly owned as to 30% by Mr. Li Xiangzhong through his wholly-owned company, namely Xianghua International Holdings Limited.

Interim dividend

The Board has resolved not to declare any interim dividend for the Reporting Period (for the six months ended 30 September 2018: nil).

Compliance with the corporate governance code

The Group recognise the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders, and the Board is fully committed to doing so. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders' interests.

The Group has adopted a corporate governance statement of policy which provides guidance on the application of the corporate governance principles on the Group, with reference to the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules.

In the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code during the Reporting Period and, where appropriate, the applicable recommended best practices of the CG Code.

Compliance with the Model Code

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). In response to a specific enquiry by the Company, all Directors have confirmed that they complied with the requirements of the Model Code during the Reporting Period.

Audit Committee

The Company has established 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 CG 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, internal controls, risk management 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 risk management and internal controls systems and as to the efficiency of the audits. The Audit Committee comprises three independent non-executive directors, namely Mr. Tang Chi Wai (Chairman), Mr. Cheung Wai Lun Jacky and Mr. Lee Chi Ming.

Review of interim results

The Group's unaudited condensed consolidated interim results and financial report for the Reporting Period have been reviewed and approved by the Audit Committee.

By order of the Board of
Century Group International Holdings Limited
Li Xianzhong
Chairman and Executive Director

Hong Kong, 29 November 2019

In the event of any inconsistency, the English text of this report shall prevail over the Chinese text.