

# Shun Wo Group Holdings Limited

## 迅和集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1591



# 2019

## 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 (resigned on 1 September 2019)

### 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

Flat A, 7/F  
Sai Wan Ho Plaza  
68 Shaukeiwan 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.swgrph.com](http://www.swgrph.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 2019 (the **"Period"**), together with the comparative unaudited figures for the corresponding period in 2018.

## 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 2019, 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\$196.5 million.

Due to the challenging business operating environment of the foundation industry, the Group reported a net loss of approximately HK\$6.6 million during the Period, as compared to the net profit of approximately HK\$0.3 million for the corresponding period in 2018.

As disclosed in the annual report of the Company for the year ended 31 March 2019, the Group believed that the overall business environment of the foundation industry would continue to slowdown in coming years. Thus, the Group has continued to adopt a more competitive tender pricing policy and stringent control over the production costs in order to achieve reasonable projects' gross margin and return to profit.

Looking ahead, given the persisted poor social atmosphere, as well as the keen competition of the foundation industry, the Group expects the operating environment would continue to be difficult in 2019 and 2020. Despite the current situation, 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 the next decade, as well as the "Lantau Tomorrow Vision" which would involve building a 1,700-hectare cluster of artificial islands.

## FINANCIAL REVIEW

### Revenue

For the Period, the revenue of the Group has decreased by approximately HK\$38.4 million, or approximately 36.5% compared to the corresponding period in 2018, from approximately HK\$105.2 million to approximately HK\$66.8 million. The decrease was mainly because of the keen competition faced by the Group in obtaining new businesses and a few sizable projects, in which majority of revenue was recognised for the corresponding period in 2018.

### Gross Profit and Gross Profit Margin

For the Period, the gross profit of the Group has decreased by approximately HK\$7.1 million, or approximately 78.8% compared to the corresponding period in 2018, from approximately HK\$9.0 million to approximately HK\$1.9 million. The gross profit margin was approximately 2.9% compared to the corresponding period in 2018 of approximately 8.6%.

The decrease in gross profit and gross profit margin were mainly the result of the competitive tender pricing policy, which caused a relatively lower gross profit margin in most of the construction projects.

### Other income and gains

For the Period, the other income and gains has increased by approximately HK\$232,000 or approximately 82.6% compared to the corresponding period in 2018, from approximately HK\$281,000 to approximately HK\$513,000. The increase was due to the increase in bank interest income and rental income during the Period.

# Management Discussion and Analysis

## **Administrative and other operating expenses**

For the Period, the administrative and other operating expenses have decreased by approximately HK\$46,000 or approximately 0.5% compared to the corresponding period in 2018, from approximately HK\$9.0 million to approximately HK\$8.9 million.

## **Net (loss)/profit**

As a result of the aforesaid, the Group reported a net loss of approximately HK\$6.6 million compared to the corresponding period in 2018 of net profit of approximately HK\$0.3 million.

## **LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE**

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

As at 30 September 2019, the Group had total cash and cash equivalents and bank deposits of approximately HK\$59.7 million (31 March 2019: approximately HK\$68.9 million).

As at 30 September 2019, the Group had no debts outstanding due to the fully repayment of finance lease payable in the year ended 31 March 2019.

## **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 2019 and 31 March 2019, the Group had no pledged assets.

## **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\$3.2 million 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 2019, 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.

## **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.

# Management Discussion and Analysis

## 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 of the Company dated in 12 September 2016 (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 2019 HK\$'000</b>	<b>Actual Usage up to 30 September 2019 HK\$'000</b>
Acquisition of excavators, cranes and breakers	<b>55,000</b>	15,411
Strengthening the workforce and manpower	<b>15,000</b>	9,349
Increasing marketing efforts	<b>6,200</b>	1,786
Funding of general working capital	<b>8,000</b>	8,000
<b>Total</b>	<b>84,200</b>	34,546

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 2019, the Group employed a total of 57 full-time employees (including executive Directors), as compared to a total of 70 full-time employees as at 31 March 2019. 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\$21.3 million compared to approximately HK\$18.1 million to the corresponding period in 2018.

## CHANGE OF INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information of Director are set out below:

Mr. Lam Joseph Chok resigned as an executive Director with effect from 1 September 2019; and

Mr. Tam Wai Tak Victor retired from office as an independent non-executive director of Cool Link (Holdings) Limited (Stock Code: 8491) with effect from 14 May 2019.

## 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 2019

	Notes	For the six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>66,803</b>	105,237
Direct costs		<b>(64,886)</b>	(96,212)
<b>Gross profit</b>		<b>1,917</b>	9,025
Other income and gains	4	<b>513</b>	281
Administrative and other operating expenses		<b>(8,942)</b>	(8,988)
Net impairment losses on financial assets and contract assets		<b>63</b>	–
Finance costs	5	<b>–</b>	(25)
<b>(Loss)/profit before income tax</b>	6	<b>(6,449)</b>	293
Income tax (expense)/credit	7	<b>(148)</b>	23
<b>(Loss)/profit and total comprehensive (expense)/income for the period attributable to owners of the Company</b>		<b>(6,597)</b>	316
<b>(Loss)/earnings per share attributable to owners of the Company</b>			
— Basic and diluted earnings per share (HK cents)	8	<b>(0.165)</b>	0.008

# 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)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	11,840	12,431
<b>Current assets</b>			
Contract assets	11	43,008	47,674
Trade and other receivables	12	26,333	31,074
Bank deposits	13	22,833	2,829
Current income tax recoverable		1,554	1,641
Cash and cash equivalents	14	36,840	66,036
		<b>130,568</b>	149,254
<b>Total assets</b>		<b>142,408</b>	161,685
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
<b>Capital and reserves</b>			
Share capital	15	40,000	40,000
Reserves		84,340	90,937
<b>Total equity</b>		<b>124,340</b>	130,937
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		917	856
<b>Current liabilities</b>			
Trade and other payables	16	17,151	29,892
<b>Total liabilities</b>		<b>18,068</b>	30,748
<b>Total equity and liabilities</b>		<b>142,408</b>	161,685
<b>Net current assets</b>		<b>113,417</b>	119,362
<b>Total assets less current liabilities</b>		<b>125,257</b>	131,793



# 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 HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2018 (Unaudited)	40,000	56,625	198	65,803	162,626
Profit and total comprehensive income for the period (Unaudited)	–	–	–	316	316
Balance as at 30 September 2018 (Unaudited)	40,000	56,625	198	66,119	162,942
Balance as at 31 March 2018 (Audited)	40,000	56,625	198	65,548	162,371
Effect on initial application of HKFRS 9 and HKFRS 15	–	–	–	(6,302)	(6,302)
Balance at 1 April 2018	40,000	56,625	198	59,246	156,069
Loss and total comprehensive expense for the year	–	–	–	(25,132)	(25,132)
Balance at 31 March 2019 (Audited)	<b>40,000</b>	<b>56,625</b>	<b>198</b>	<b>34,114</b>	<b>130,937</b>
Loss and total comprehensive expense for the period	–	–	–	(6,597)	(6,597)
Balance as at 30 September 2019 (Unaudited)	<b>40,000</b>	<b>56,625</b>	<b>198</b>	<b>27,517</b>	<b>124,340</b>

# Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash used in operating activities	(26,337)	(14,780)
Net cash (used in)/generated from investing activities	(2,859)	20,071
Net cash used in financing activities	–	(2,723)
Net (decrease)/increase in cash and cash equivalents	(29,196)	2,568
Cash and cash equivalents at beginning of the period	66,036	73,038
Cash and cash equivalents at end of the period	36,840	75,606

# 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 2019, 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 Flat A, 7/F, Sai Wan Ho Plaza, 68 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**") as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

# Notes to the Condensed Consolidated Financial Statements

## 3. ACCOUNTING POLICIES (CONTINUED)

### 3.1 Changes in accounting policy and disclosures

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

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 HKFRS 2015–2017 Cycle

Except as described below, the adoption of above new standards and amendments to HKFRSs in the current accounting period has had no material impact on the unaudited condensed consolidated financial statements.

#### *HKFRS 16 "Leases"*

The Group has applied HKFRS 16 for the first time in the current accounting period. HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

HKFRS 16 requires almost all leases of lessees to be recognised on the statement of financial position, as the distinction between operating and finance leases is removed. The accounting for lessors will not significantly change. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Under the new leasing standard, the right to use the leased item and the obligation to pay rent are recognised as an asset and a financial liability respectively. The only exceptions are short-term and low-value leases. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of furniture and equipment. The standard affects primarily the accounting for operating leases of the Group.

# Notes to the Condensed Consolidated Financial Statements

## 3. ACCOUNTING POLICIES (CONTINUED)

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

#### *HKFRS 16 "Leases" (Continued)*

The Group adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application presented as an adjustment against the opening retained earnings, if any, and comparative information has not been restated and continues to be reported under HKAS 17 and related interpretations. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. The Group also elected to use the recognition exemption for lease contracts that, at the date of initial application, have a remaining lease term of 12 months or less and do not contain a purchase option and lease contracts for which the underlying asset is of low value. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of profit or loss and other comprehensive income.

Based on the management's assessment, the adoption of HKFRS 16 has no material effect on the amounts reported during the six months ended 30 September 2019. Accordingly, no adjustment has been made to the retained earnings as at 1 April 2019.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019.

	As at 1 April 2019 HK\$'000
Operating lease commitments at 31 March 2019	343
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(343)
Total lease liabilities recognised at 1 April 2019	–

# Notes to the Condensed Consolidated Financial Statements

## 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Revenue</b>		
Main contracting	21,981	22,366
Sub-contracting	44,822	82,871
	<b>66,803</b>	105,237

Disaggregation of revenue from contracts with customers

	For the six months ended 30 September 2019 HK\$'000 (Unaudited)
<b>Timing of revenue recognition</b>	
Over-time	66,803
<b>Types of goods or services</b>	
Foundation work services	66,803

	For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Other income and gains</b>		
Rental income	201	58
Interest income	309	111
Gain on disposal of property, plant and equipment	–	51
Others	3	61
	<b>513</b>	281



# Notes to the Condensed Consolidated Financial Statements

## 4. REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION (CONTINUED)

### Segment information

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 and all the non-current assets of the Group are located in Hong Kong. Therefore, no segment and geographical information is presented.

## 5. FINANCE COSTS

	For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on finance leases	–	25

## 6. (LOSS)/PROFIT BEFORE INCOME TAX

	For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Included in direct costs:		
Depreciation of owned assets	2,206	2,333
Depreciation of assets under finance leases	–	634
Staff costs	17,306	13,541
Lease expenses in respect of		
— Plant and machinery	895	1,481
— Others	21	14
Included in administrative and other operating expenses:		
Depreciation of owned assets	1,553	714
Depreciation of assets under finance leases	–	127
Lease expenses in respect of		
— Premises	978	726
— Car parks	71	85
Staff costs, including directors' emoluments	3,980	4,602

# Notes to the Condensed Consolidated Financial Statements

## 7. INCOME TAX EXPENSE/(CREDIT)

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:

	<b>For the six months ended 30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current income tax		
Hong Kong Profits Tax	<b>87</b>	112
Deferred income tax	<b>61</b>	(135)
Income tax expense/(credit)	<b>148</b>	(23)

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 the qualifying group entity will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the 1 April 2018, one of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK\$2.0 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2.0 million. Other subsidiaries of the Company are subjected to Hong Kong Profits Tax at the rate of 16.5%.

## 8. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share are calculated by dividing the (loss)/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:

	<b>For the six months ended 30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
(Loss)/profit attributable to owners of the Company	<b>(6,597)</b>	316
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	<b>4,000,000</b>	4,000,000
Basic (loss)/earnings per share (HK cents)	<b>(0.165)</b>	0.008

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

# Notes to the Condensed Consolidated Financial Statements

## 9. DIVIDENDS

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

## 10. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group invested approximately HK\$3.2 million in the purchase of property, plant and equipment (30 September 2018: approximately HK\$0.6 million) and had not disposed of property, plant and equipment (30 September 2018: net book value of HK\$0.5 million).

## 11. CONTRACT ASSETS

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Contract assets	43,283	47,977
Less: allowance for credit losses	(275)	(303)
	<b>43,008</b>	47,674

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on factors other than passage of time. The contract assets are transferred to trade receivables when the rights become unconditional.

As at 30 September 2019, included in carrying amount of contract assets comprises retention money held by customers for construction works amounted to approximately HK\$20.1 million, of which approximately HK\$7.8 million, is unsecured, interest-free and expected to be recovered or settled in more than twelve months from the end of the reporting period.

# Notes to the Condensed Consolidated Financial Statements

## 12. TRADE AND OTHER RECEIVABLES

	<b>As at 30 September 2019 HK\$'000 (Unaudited)</b>	As at 31 March 2019 HK\$'000 (Audited)
Trade receivables	18,933	25,656
Less: allowance for credit losses	(442)	(477)
	<b>18,491</b>	25,179
Other receivables, deposits and prepayments	7,842	5,895
	<b>26,333</b>	31,074

Notes:

- (a) The credit period granted to customers ranges from 30 days to 32 days (31 March 2019: 30 days to 32 days) generally. Trade receivables are denominated in HK\$.
- (b) The ageing analysis of the trade receivables, net of allowance for credit losses based on date of payment certificates issued by customers or invoice date, whichever is applicable, are as follows:

	<b>As at 30 September 2019 HK\$'000 (Unaudited)</b>	As at 31 March 2019 HK\$'000 (Audited)
0-30 days	8,743	6,361
31-60 days	2,853	6,517
61-90 days	-	8,962
Over 90 days	6,895	3,339
	<b>18,491</b>	25,179

# Notes to the Condensed Consolidated Financial Statements

## 13. BANK DEPOSITS

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Non-pledged bank deposits	22,833	2,829

## 14. CASH AND CASH EQUIVALENTS

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Cash at banks	36,840	66,036
Cash and cash equivalents	36,840	66,036

## 15. SHARE CAPITAL

	Number of ordinary shares	Share capital HK\$'000
Ordinary share of HK\$0.01 each		
<b>Authorised:</b>		
As at 30 September 2019 (Unaudited) and 31 March 2019 (Audited)	10,000,000,000	100,000
<b>Issued and fully paid:</b>		
As at 30 September 2019 (Unaudited) and 31 March 2019 (Audited)	4,000,000,000	40,000

# Notes to the Condensed Consolidated Financial Statements

## 16. TRADE AND OTHER PAYABLES

	<b>As at 30 September 2019 HK\$'000 (Unaudited)</b>	As at 31 March 2019 HK\$'000 (Audited)
Trade payables	8,305	20,044
Retention payables	5,887	5,233
Accruals and other payables	2,959	4,615
	<b>17,151</b>	<b>29,892</b>

Notes:

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

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

	<b>As at 30 September 2019 HK\$'000 (Unaudited)</b>	As at 31 March 2019 HK\$'000 (Audited)
0–30 days	5,165	12,681
31–60 days	214	6,240
61–90 days	286	625
Over 90 days	2,640	498
	<b>8,305</b>	<b>20,044</b>

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



# Notes to the Condensed Consolidated Financial Statements

## 17. 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Rental of premises, warehouse and car parking spaces paid to:		
Hop Kee Development Co., Limited	198	126
Shun Tai Holdings Limited	540	360

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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Short-term employee benefits	1,750	1,800
Post-employment benefits	35	36
	1,785	1,836

# 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 2019, 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 Issuers (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 ( <i>Note</i> )	2,040,000,000	51%
Mr. Wong Tony Yee Pong	Interest in a controlled corporation ( <i>Note</i> )	2,040,000,000	51%
Mr. Lai Kwok Fai	Interest in a controlled corporation ( <i>Note</i> )	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 2019, 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 2019, 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:

- 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.
- 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.
- 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.
- 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 2019, 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 2019.

## 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

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 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, 29 November 2019