



FULLWEALTH CONSTRUCTION HOLDINGS COMPANY LIMITED

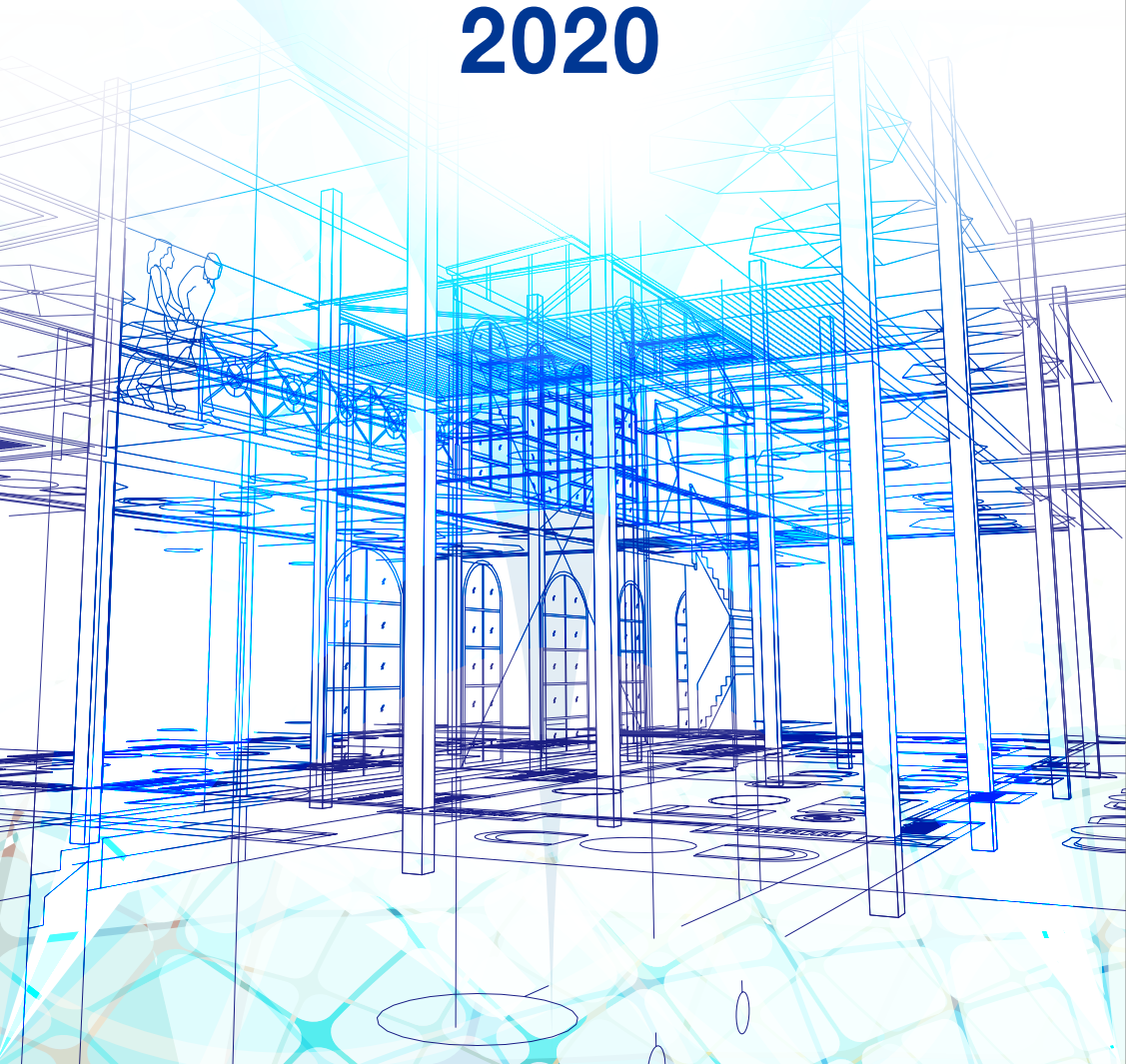
富匯建築控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1034

INTERIM REPORT

2020



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Law Fu Keung
(Chairman and Chief Executive Officer)
Ms. Cheng Fung Yi

Independent Non-executive Directors

Ms. Li On Lei
Ms. Shum Wing Ting
Mr. Law Kam Chuen

BOARD COMMITTEES

Audit Committee

Ms. Li On Lei *(Chairman)*
Mr. Law Kam Chuen
Ms. Shum Wing Ting

Remuneration Committee

Mr. Law Kam Chuen *(Chairman)*
Mr. Law Fu Keung
Ms. Cheng Fung Yi
Ms. Li On Lei
Ms. Shum Wing Ting

Nomination Committee

Mr. Law Fu Keung *(Chairman)*
Ms. Cheng Fung Yi
Ms. Li On Lei
Mr. Law Kam Chuen
Ms. Shum Wing Ting

COMPANY SECRETARY

Mr. Chow Chi Keung

AUTHORISED REPRESENTATIVES

Mr. Law Fu Keung
Mr. Chow Chi Keung

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Shops 11-12, G/F
Leung Choy Building
2-44 Ping Fai Path
Yuen Long
New Territories, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE INFORMATION

COMPLIANCE ADVISER

Frontpage Capital Limited
26th Floor
Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

CFN Lawyers in association with Broad & Bright
Units 4101-4104, 41st Floor
Sun Hung Kai Centre
30 Harbour Road
Wan Chai, Hong Kong

PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
United Overseas Bank Limited, Hong Kong Branch

AUDITOR

Crowe (HK) CPA Limited
9th Floor
Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

COMPANY'S WEBSITE

www.fullwealth.hk

STOCK CODE

1034

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of Fullwealth Construction Holdings Company Limited (the “**Company**”) is pleased to present the interim report of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”).

BUSINESS REVIEW AND OUTLOOK

The Group has a long history of undertaking civil engineering works in Hong Kong with operation history since 1997. The Group’s civil engineering works can be broadly categorized as (i) site formation; (ii) excavation and lateral support works and pile cap construction; and (iii) roads and drainage and waterworks. The Group is able to undertake civil engineering works as either a main contractor or a subcontractor. The Group is also qualified to carry out private sector building works as well as alteration and additions works as a main contractor.

During the Reporting Period, the Group was awarded 3 projects with total initial contract sum of approximately HK\$126.2 million. As at 30 June 2020, the Group had 9 projects on hand and the total initial contract sum of which amounted to approximately HK\$340.73 million.

The construction industry was full of challenges during the Reporting Period. The global outbreak of the novel coronavirus COVID-19 (“**COVID-19**”) caused unprecedented disruptions in business operations and the Hong Kong economy as a whole. The impact of the outbreak of COVID-19 resulted in delays in the work schedule of construction projects of the Group on hand and under construction.

The Board has been actively monitoring market conditions and taking appropriate measures to mitigate any negative impact on the business and performance of the Group. The Group will continue to strengthen its cost control measures and resources management policies, and actively participate in tendering and bidding to maintain its market competitiveness. Despite the difficulties encountered, the Board is conservatively optimistic that the Group’s construction business would gradually recover as a result of the long-term housing development and land policy in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue decreased from approximately HK\$253.9 million for the six months ended 30 June 2019 to approximately HK\$127.2 million for the Reporting Period, representing a decrease of 49.9%. Such decrease in revenue was mainly due to the decrease of the number of sizable projects undertaken by the Group and the progress of certain projects being slowed down by the outbreak of COVID-19 during the Reporting Period.

Gross profit and gross profit margin

Gross profit decreased by 393.9% from gross profit of approximately HK\$11.0 million for the six months ended 30 June 2019 to gross loss of approximately HK\$32.2 million for the Reporting Period. The gross profit margin decreased from gross profit margin of 4.3% for the six months ended 30 June 2019 to gross loss margin of 25.3% for the Reporting Period. The decrease in gross profit and gross profit margin was mainly due to:

- (1) progress of certain projects being slowed down by the outbreak of COVID-19 resulting in an increase in construction costs due to the prolonged retention of the required site workforce and disruption of delivery of construction materials; and
- (2) certain projects with lower gross profit margin were undertaken during the Reporting Period as a result of increased competition in the market and significant initial set up costs incurred for certain projects.

Other income

Other income decreased by 7.7% from approximately HK\$5.1 million for the six months ended 30 June 2019 to approximately HK\$4.7 million for the Reporting Period. The decrease in other income was mainly due to the decrease in profit from leasing of plant and equipment as a decreasing number of plant and equipment has been rented out during the Reporting Period.

General and administrative expenses

General and administrative expenses increased from approximately HK\$7.9 million for the six months ended 30 June 2019 to approximately HK\$15.9 million for the Reporting Period. It was mainly due to the increase of depreciation charges and legal and professional fees for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Finance costs of the Group increased from approximately HK\$0.2 million for the six months ended 30 June 2019 to approximately HK\$0.4 million for the Reporting Period. The increase was attributable to the higher average borrowings during the Reporting Period.

Loss and total comprehensive expenses for the period

As a result of the aforesaid and in particular the decrease in gross profit, the Group recorded a loss attributable to the equity shareholders of the Company of approximately HK\$43.8 million for the Reporting Period (2019: profit of approximately HK\$6.3 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group finances its working capital requirements through a combination of funds generated from operations, borrowings and capital contribution from shareholders.

As at 30 June 2020, the Group had cash and cash equivalents of approximately HK\$28.6 million (31 December 2019: HK\$47.5 million). The borrowings (including lease liabilities) of the Group as at 30 June 2020 amounted to approximately HK\$17.8 million (31 December 2019: HK\$26.5 million). The Group's cash and cash equivalents and borrowings (including lease liabilities) are all denominated in Hong Kong dollars. The Board closely monitors its liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements at all times.

There has been no change in the capital structure of the Group during the Reporting Period.

GEARING RATIO

As at 30 June 2020, the gearing ratio of the Group, calculated as the total debt (including lease liabilities) divided by the total equity, was approximately 12.6% (31 December 2019: 14.3%).

TREASURY POLICY

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. It is the Group's policy not to enter into derivative transactions for speculative purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON ASSETS

The Group's plant and equipment with an aggregate carrying value of approximately HK\$41.5 million (31 December 2019: HK\$43.9 million) as at 30 June 2020 were pledged under the Group's borrowings (including lease liabilities).

As at 30 June 2020, the Group pledged its bank deposits with value of approximately HK\$13.3 million (31 December 2019: HK\$22.2 million) as collateral to secure certain of the main contractor's performance bonds issued by banks in relation to the Group's construction projects.

FOREIGN EXCHANGE EXPOSURE

The Group operates only in Hong Kong and most of the transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the foreign exchange risk is insignificant and therefore the Group has not entered in any derivative contracts for hedging purpose.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2020, the Group employed a total of 149 (31 December 2019: 127) employees (including executive Directors and independent non-executive Directors). Total staff costs including directors' remuneration for the Reporting Period was approximately HK\$26.5 million (2019: HK\$25.0 million). The remuneration offered to employees generally includes salaries and bonus and are determined with reference to market norms and individual employees' performance, qualifications and experience. The Company has adopted a share option scheme under which options may be granted to Directors and eligible employees as an incentive.

The remuneration of the Directors is decided by the Board upon recommendation from the Remuneration Committee of the Company, taking into account the Group's operating results, responsibilities and individual performance of the Directors.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 15 October 2018 (the “**Prospectus**”), the Group did not have any other plans for material investments or capital assets as at 30 June 2020.

CONTINGENT LIABILITIES

(a) Guarantees issued

As at 30 June 2020, surety bonds of approximately HK\$30.8 million (31 December 2019: HK\$5.4 million) were given by insurance companies to the Group in favour of the Group’s customers as security for the due performance and observance of the Group’s obligation under the contracts entered into between the Group and their customers. The Group has provided guarantees for the above surety bonds. If the Group fails to provide satisfactory performance to its customers to whom the surety bonds were given, such customers may demand the insurance companies to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate the insurance companies accordingly. The surety bonds will be released upon completion of the contract work. Deposits are placed with these insurance companies for issuance of surety bonds, details of which are set out in Note 12 to the consolidated financial statements.

As at 30 June 2020, the Directors do not consider it is probable that a claim will be made against the Group.

(b) Litigation

In the ordinary course of the Group’s contract works business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group’s subcontractors in accidents arising out of and in the course of their employment. The Directors are of the opinion that such claims are well covered by insurance and will not result in any material adverse impact on the financial position or results of operations of the Group. No provision has been made in respect of these claims in the consolidated financial statements.

CAPITAL COMMITMENTS

As at 30 June 2020, the Group did not have any capital commitments (31 December 2019: Nil).

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or the Group after 30 June 2020 and up to the date of this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The net proceeds of the share offer received by the Company in relation to the listing were approximately HK\$94.2 million, after deducting listing and related expenses. These proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future plans and use of proceeds" in the Prospectus. The below table sets out the proposed application and usage of the net proceeds as at 30 June 2020:

| | Planned use of net proceeds HK\$'million | Utilised amount HK\$'million | Unutilised amount HK\$'million |
|--|---|---|---|
| Acquisition of machinery and equipment | 42.7 | 29.9 | 12.8 |
| Financing construction projects | 29.5 | 29.5 | – |
| Strengthening of project management team | 11.1 | 4.1 | 7.0 |
| Repayment of finance lease obligations | 5.3 | 5.3 | – |
| General working capital | 5.6 | 5.6 | – |
| | <hr/> | <hr/> | <hr/> |
| | 94.2 | 74.4 | 19.8 |

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.

As at 30 June 2020, approximately HK\$74.4 million out of the net proceeds from the listing had been used. The remaining unutilised net proceeds of approximately HK\$19.8 million were deposited in licensed banks in Hong Kong. As at the date of this interim report, there has not been any material change to the plan as to the use of the net proceeds except that in light of the material change in market and economic condition, the Group will utilise the balance of fund in a conservative manner. The Directors will monitor the outbreak of COVID-19 and its impact to the global economy to evaluate the Group's business objectives and may change or modify the Group's plans against the changing market condition to attain sustainable business growth of the Group. The unutilised net proceeds are expected to be fully utilised on or before 31 December 2022, depending on the market and economic condition.

DIVIDEND

The Board does not recommend the payment of a dividend for the Reporting Period (six months ended 30 June 2019: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Board is committed to achieving and maintaining high standards of corporate governance as the Board believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") under Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") as its own code of corporate governance. Save for the deviation below, the Company has complied with the provisions set out in the CG Code during the Reporting Period and up to the date of this interim report.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Law Fu Keung is the chairman of the Board (the "**Chairman**") and chief executive officer of the Company (the "**Chief Executive officer**") responsible for overall strategic development, project management and client management of the Group. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Law Fu Keung has the benefit of ensuring consistent and continuous leadership within the Group and also maximises the effectiveness and efficiency of overall planning and execution of the Group's strategies. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired in light of the diverse background and experience of the independent non-executive Directors, and the composition of the Board which comprises more number of independent non-executive Directors than executive Directors also provides added independence to the Board.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the guidelines for the Directors' dealing in the securities of the Company. Having made specific enquiry of all Directors, the Company confirmed that all Directors have fully complied with the required standard set out in the Model Code during the Reporting Period and up to the date of this interim report.

SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was conditionally adopted by the written resolution of the Company's then sole shareholder on 8 October 2018. No share option has been granted, exercised, cancelled or lapsed under the Scheme since its adoption on 8 October 2018 and there is no outstanding share option as at 30 June 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPETING BUSINESS

None of the controlling shareholders or the Directors of the Company and their respective 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 Reporting Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept under section 352 of the SFO; or (c) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:-

(a) Long position in ordinary shares of the Company

| Name of director/ chief executive | Nature of interest | Number of shares held/ interested | Percentage of shareholding in the Company |
|--------------------------------------|--------------------------------------|---|---|
| Mr. Law Fu Keung (Note 1) | Interest of a controlled corporation | 1,200,000,000 | 75% |
| Ms. Cheng Fung Yi (Note 2) | Interest of spouse | 1,200,000,000 | 75% |

Notes:

1. Mr. Law beneficially owns the entire issued share capital of Miracle Investments Company Limited ("Miracle Investments"). Therefore, Mr. Law is deemed, or taken to be, interested in the shares held by Miracle Investments for the purpose of SFO.
2. Ms. Cheng is the spouse of Mr. Law. Accordingly, Ms. Cheng is deemed, or taken to be, interested in the shares which Mr. Law is interested in for the purpose of SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(b) Long position in shares of the associated corporation of the Company

| Name of director/ chief executive | Name of the associated corporation | Nature of interest | Number of shares held/interested | Percentage of shareholding in the company |
|--------------------------------------|--|--------------------|-------------------------------------|---|
| Mr. Law Fu Keung (Note 1) | Miracle Investments | Beneficial owner | 100 | 100% |
| Ms. Cheng Fung Yi (Note 2) | Miracle Investments | Interest of spouse | 100 | 100% |

Notes:

1. The issued share capital of Miracle Investments is fully owned by Mr. Law.
2. Ms. Cheng is the spouse of Mr. Law. Accordingly, Ms. Cheng is deemed, or taken to be, interested in the shares which Mr. Law is interested in for the purpose of SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, 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 and underlying shares of the Company 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 | Nature of interest | Number of shares held/interested | Percentage of shareholding in the Company |
|------------------------|--------------------|-------------------------------------|---|
| Miracle Investments | Beneficial owner | 1,200,000,000 | 75% |

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2020, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures” above, had any interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company’s listed securities.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) on 8 October 2018 with written terms of reference in compliance with the CG code. The Audit Committee consists of three members who are all independent non-executive Directors, namely Ms. Li On Lei (Chairlady), Ms. Shum Wing Ting and Mr. Law Kam Chuen. The Audit Committee is delegated with the authority from the Board primarily to oversee the Group’s financial reporting and internal control systems, and the adequacy of the external and internal audits.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The condensed consolidated financial statements of the Group for the Reporting Period have not been audited, but have been reviewed by the Audit Committee.

On behalf of the Board

Fullwealth Construction Holdings Company Limited

Law Fu Keung

Chairman and Executive Director

Hong Kong, 28 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

| | Note | Six months ended 30 June | |
|--|------|---------------------------------|---------------------------------|
| | | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Revenue | 4 | 127,227 | 253,909 |
| Direct costs | | (159,416) | (242,956) |
| Gross (loss)/profit | | (32,189) | 10,953 |
| Other income | 5 | 4,673 | 5,063 |
| General and administrative expenses | | (15,861) | (7,892) |
| (Loss)/profit from operations | | (43,377) | 8,124 |
| Finance costs | 6(a) | (403) | (195) |
| (Loss)/profit before taxation | 6 | (43,780) | 7,929 |
| Income tax | 7 | – | (1,621) |
| (Loss)/profit and total comprehensive (expense)/income for the period | | (43,780) | 6,308 |
| (Loss)/earnings per share (HK Cents) | 8 | | |
| – Basic | | (2.74) | 0.39 |
| – Diluted | | (2.74) | 0.39 |

The notes on pages 18 to 28 form part of this interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

| | Note | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|---|------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 58,544 | 60,717 |
| Deposit for acquisition of property, plant and equipment | | – | 400 |
| | | 58,544 | 61,117 |
| Current assets | | | |
| Contract assets | 11 | 61,398 | 70,213 |
| Trade and other receivables | 12 | 60,318 | 62,443 |
| Tax recoverable | | – | 4,595 |
| Pledged bank deposits | | 13,258 | 22,206 |
| Cash and cash equivalents | | 28,569 | 47,451 |
| | | 163,543 | 206,908 |
| Current liabilities | | | |
| Trade and other payables | 13 | 54,307 | 49,203 |
| Tax payable | | 1,436 | – |
| Bank loans | 14 | 14,526 | 22,251 |
| Lease liabilities | | 1,548 | 1,770 |
| | | 71,817 | 73,224 |
| Net current assets | | 91,726 | 133,684 |
| Total assets less current liabilities | | 150,270 | 194,801 |
| Non-current liabilities | | | |
| Lease liabilities | | 1,692 | 2,443 |
| Deferred tax liabilities | | 7,769 | 7,769 |
| | | 9,461 | 10,212 |
| NET ASSETS | | 140,809 | 184,589 |
| CAPITAL AND RESERVES | | | |
| Share capital | 15 | 16,000 | 16,000 |
| Reserves | | 124,809 | 168,589 |
| TOTAL EQUITY | | 140,809 | 184,589 |

The notes on pages 18 to 28 form part of this interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 30 June 2020

| | Share capital HK\$'000 | Share premium HK\$'000 | Other reserve HK\$'000 (Note (i)) | Retained earnings HK\$'000 | Total equity HK\$'000 |
|---|------------------------------|------------------------------|--|----------------------------------|-----------------------------|
| Balance at 1 January 2019 (Audited) | 16,000 | 99,206 | 5,760 | 56,444 | 177,410 |
| Profit and other comprehensive income for the period (Unaudited) | - | - | - | 6,308 | 6,308 |
| Balance at 30 June 2019 (Unaudited) | 16,000 | 99,206 | 5,760 | 62,752 | 183,718 |
| Balance at 1 January 2020 (Audited) | 16,000 | 99,206 | 5,760 | 63,623 | 184,589 |
| Loss and other comprehensive expense for the period (Unaudited) | - | - | - | (43,780) | (43,780) |
| Balance at 30 June 2020 (Unaudited) | 16,000 | 99,206 | 5,760 | 19,843 | 140,809 |

Note (i): The other reserve represents the deemed contribution from and distributions to the controlling shareholders of the Company as a result of a group reorganisation completed on 6 February 2018.

The notes on pages 18 to 28 form part of this interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Operating activities | | |
| Cash used in operations | (14,777) | (3,918) |
| Hong Kong Profits tax refund | 6,031 | – |
| Net cash used in operating activities | (8,746) | (3,918) |
| Investing activities | | |
| Interest received | 389 | 97 |
| Payment for acquisitions of property, plant and equipment | (1,407) | (1,214) |
| Proceeds from disposals of property, plant and equipment | – | 3,355 |
| Advance to an immediate holding company | (17) | – |
| Net cash (used in)/generated from investing activities | (1,035) | 2,238 |
| Financing activities | | |
| Proceeds from bank loans | – | 31,090 |
| Repayment of bank loans | (7,725) | (1,254) |
| Capital element of lease rentals paid | (973) | (3,231) |
| Interest element of lease rentals paid | (65) | (106) |
| Interest on bank loans paid | (338) | (89) |
| Net cash (used in)/generated from financing activities | (9,101) | 26,410 |
| Net (decrease)/increase in cash and cash equivalents | (18,882) | 24,730 |
| Cash and cash equivalents at the beginning of the period | 47,451 | 42,291 |
| Cash and cash equivalents at the end of the period | 28,569 | 67,021 |

The notes on pages 18 to 28 form part of this interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION

Fullwealth Construction Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 January 2018 and its shares were listed on the Main Board of the Stock Exchange on 30 October 2018. The registered office of the Company is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company is located at Shops 11-12, G/F., Leung Choy Building, 2-44 Ping Fai Path, Yuen Long, New Territories, Hong Kong.

The Company is an investment holding company and the Group is principally engaged in the civil engineering and building works in Hong Kong.

2. BASIS OF PREPARATION

The interim financial statements has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 28 August 2020.

The interim financial statements has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 3 to the condensed consolidated financial statements.

The preparation of an interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial statements contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial statements has been reviewed by the Company’s audit committee.

The measurement basis used in the preparation of the interim financial statements is the historical cost basis. The interim financial statements is presented in Hong Kong dollars (“**HK\$**”) and all figures are rounded to the nearest thousand (“**HK\$’000**”) unless otherwise indicated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from construction contracts for civil engineering and building works rendered by the Group to customers, which is recognised over time.

The Group has one reportable segment which is business of civil engineering and building works in Hong Kong. The Group’s chief operating decision maker, which has been identified as the executive directors who review the Group’s internal reporting in order to assess performance and allocate resources. Therefore, no additional reportable segment information has been presented.

All of the Group’s activities are carried out in Hong Kong and all of the Group’s assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis is presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. OTHER INCOME

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Bank interest income | 389 | 97 |
| Compensation received | 30 | – |
| Gross rental income from leasing of plant and equipment less direct outgoings | 1,340 | 3,946 |
| Gain on disposal of property, plant and equipment | – | 1,003 |
| Government subsidies (Note) | 1,930 | – |
| Sundry income | 984 | 17 |
| | 4,673 | 5,063 |

Note: Being the subsidies received/receivable from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme and other subsidy schemes as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China.

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

| | Six months ended 30 June | |
|-------------------------------|---------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Interest on bank loans | 338 | 89 |
| Interest on lease liabilities | 65 | 106 |
| | 403 | 195 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6. (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Directors' emoluments | 1,445 | 1,443 |
| Other staff costs: | | |
| Contributions to defined contribution retirement plans | 822 | 797 |
| Salaries, wages and other benefits | 24,185 | 22,711 |
| | 26,452 | 24,951 |

(c) Other items

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Depreciation charge | 3,980 | 6,110 |
| Gain on disposal of property, plant and equipment | – | (1,003) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

7. INCOME TAX

| | Six months ended 30 June | |
|-----------------------|---------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Hong Kong Profits Tax | – | 1,621 |

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) The provision for Hong Kong Profits Tax is calculated by applying the flat tax rate of 16.5% (2019: 16.5%) for the six months ended 30 June 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

No Hong Kong Profits Tax has been provided for in the unaudited consolidated financial statements for the six months ended 30 June 2020 as the subsidiary in Hong Kong had no estimated assessable profits for the six months ended 30 June 2020.

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basis (loss)/earnings per share is based on (i) the loss attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2020 of approximately HK\$43,780,000 (six months ended 30 June 2019: profit of approximately HK\$6,308,000); and (ii) weighted average of 1,600,000,000 ordinary shares (2019: 1,600,000,000 ordinary shares) of the Company in issue during the six months ended 30 June 2020.

(b) Diluted (loss)/earnings per share

These were no potential dilutive ordinary shares in existence during the six months ended 30 June 2020 and 2019, therefore, diluted (loss)/earnings per share are the same as the basic (loss)/earnings per share for both periods.

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For the six months ended 30 June 2020

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals of owned assets

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of approximately HK\$1,807,000 (six months ended 30 June 2019: approximately HK\$2,664,000).

(b) Pledge of property, plant and equipment

At 30 June 2020, the Group's property, plant and equipment with carrying amounts of approximately HK\$41,530,000 (31 December 2019: approximately HK\$43,917,000) were pledged to secure the Group's banking facilities including lease liabilities.

11. CONTRACT ASSETS

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|--|--|--|
| Contract assets Arising from performance under construction contracts | 61,398 | 70,213 |
| Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" (Note 12) | 44,141 | 47,032 |

As at 30 June 2020, the amount of contract assets that is expected to be recovered after more than one year is approximately HK\$12,276,000 (31 December 2019: approximately HK\$10,219,000), all of which relates to retention receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. TRADE AND OTHER RECEIVABLES

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|--|--|--|
| Trade receivables | 44,141 | 47,032 |
| Deposits for issuance of surety bonds (Note) | 8,216 | 1,620 |
| Other receivables | 3,341 | 11,153 |
| Deposits and prepayments | 4,591 | 2,626 |
| Amount due from an immediate holding company | 29 | 12 |
| | 60,318 | 62,443 |

Note: Deposits are placed with insurance companies for issuance of surety bonds in favour of the Group's customers. These bonds will be released upon completion of the contract work.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the revenue recognition date, is as follows:

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|----------------|--|--|
| Within 1 month | 23,430 | 35,312 |
| 1 to 2 months | 8,388 | 3,292 |
| 2 to 3 months | 2,763 | – |
| Over 3 months | 9,560 | 8,428 |
| | 44,141 | 47,032 |

Trade receivables are generally due within 30 days from the date of progress certificate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13. TRADE AND OTHER PAYABLES

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|----------------------------|--|--|
| Trade payables | 31,241 | 14,667 |
| Accrued construction costs | – | 13,691 |
| Contract liabilities | 2,651 | – |
| Other accrued expenses | 5,362 | 5,819 |
| Retention payables | 15,053 | 15,026 |
| | 54,307 | 49,203 |

As at 30 June 2020, the amounts of retention payables expected to be settled after more than one year is approximately HK\$4,648,000 (31 December 2019: approximately HK\$1,674,000). All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(a) Ageing analysis

As of the end of the report period, the ageing analysis of trade payables, based on invoice date, is as follows:

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|----------------|--|--|
| Within 1 month | 17,335 | 11,810 |
| 1 to 2 months | 8,989 | 446 |
| 2 to 3 months | 2,006 | 722 |
| Over 3 months | 2,911 | 1,689 |
| | 31,241 | 14,667 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

14. BANK LOANS

The bank loans were secured by certain of the Group's machinery with an aggregate carrying amount of approximately HK\$39,914,000 (31 December 2019: approximately HK\$41,618,000) as at 30 June 2020 and corporate guarantee provided by the Company in favour of the bank.

The bank loans carried interest at 1.75% per annum below the Bank's Prime Lending Rate prevailing from time to time and will be repayable monthly by installments, and the final installments will be repayable in May 2021.

15. SHARE CAPITAL

| | 30 June 2020 | | 31 December 2019 | |
|----------------------------------|------------------|----------|------------------|----------|
| | Number of shares | HK\$'000 | Number of shares | HK\$'000 |
| Authorised: | | | | |
| Ordinary shares of HK\$0.01 each | 3,000,000,000 | 30,000 | 3,000,000,000 | 30,000 |
| Issued and fully paid: | | | | |
| Ordinary shares of HK\$0.01 each | 1,600,000,000 | 16,000 | 1,600,000,000 | 16,000 |

16. CONTINGENT LIABILITIES

(a) Guarantees issued

As at 30 June 2020, surety bonds of approximately HK\$30,752,000 (31 December 2019: approximately HK\$5,414,000) were given by insurance companies to the Group in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and its customers. The Group has provided guarantees for the above surety bonds. If the Group fails to provide satisfactory performance to its customers to whom surety bonds were given, such customers may demand the insurance companies to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such insurance companies accordingly. The surety bonds will be released upon completion of the contract work. Deposits were placed with insurance companies for issuance of surety bonds, details of which are set out in note 12.

At the end of the reporting period, the directors of the Company do not consider it is probable that a claim will be made against the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

16. CONTINGENT LIABILITIES (CONTINUED)

(b) Litigation

In the ordinary course of the Group's contract works business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's subcontractors in accidents arising out of and in the course of their employment. The directors of the Company are of the opinion that such claims are well covered by insurance and will not result in any material adverse impact on the financial position or results of operations of the Group. No provision has been made in respect of these claims in the consolidated financial statements.

17. MATERIAL RELATED PARTY TRANSACTIONS

During the reporting period, the transactions with the following parties are considered to be related party transactions of the Group:

| Name of related party | Relationship with the Group |
|---------------------------------|--|
| Mr. LAW Fu Keung ("Mr. Law") | The controlling shareholder of the Company and Director of the Company |
| Ms. CHENG Fung Yi ("Ms. Cheng") | Spouse of Mr. Law and Director of the Company |

In addition to the transactions and balances disclosed elsewhere in these condensed consolidated financial statements, particulars of significant transactions between the Group and the above related parties during the reporting period are as follows:

(a) Key management personnel remuneration

All members of key management personnel of the Group are the Directors and their remuneration is as follows:

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Directors' fees | 225 | 225 |
| Salaries, allowances and benefits in kind | 1,200 | 1,200 |
| Contributions to defined contribution retirement plan | 20 | 18 |
| Total remuneration is included in "staff costs" (see note 6(b)) | 1,445 | 1,443 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Recurring transactions with key management personnel

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Lease payments made to Mr. Law and Ms. Cheng (including capital element and interest element of lease rentals paid) | 150 | 150 |

The Directors consider that the above related party transactions during the periods were conducted on mutually agreed terms in the ordinary course of the Group's business.

18. IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic has introduced additional uncertainties to the Group's operating environment and has impacted the Group's operations and financial position.

The global outbreak of the novel coronavirus COVID-19 caused unprecedented disruptions in business operations and the Hong Kong economy as a whole. The impact of the outbreak of COVID-19 resulted in delays in the work schedule of construction projects of the Group on hand and under construction.

The Group has been closely monitoring the recent developments of the COVID-19 pandemic and the effects on the Group's business, and the Group has put in place contingency measures. These contingency measures include implementing the various regulations and requirements of the government for virus epidemic prevention and controls. The Group will continue to review the contingency measures as the situation evolves.