



**INTERIM REPORT  
2020/21**



**SAM WOO CONSTRUCTION GROUP LIMITED**

**三和建築集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock code : 3822)



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The board of directors (the “Board”) of Sam Woo Construction Group 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 2020 (the “Period”), together with the comparative figures for the corresponding period in 2019 (the “Previous Period”). These information should be read in conjunction with the annual financial statements for the year ended 31 March 2020.

## HIGHLIGHTS

	<b>1H 2020/21</b>	<b>1H 2019/20</b>
Revenue	<b>HK\$128 million</b>	HK\$286 million
(Loss)/profit for the period	<b>HK\$(43) million</b>	HK\$4 million
(Loss)/earnings per share	<b>(2.55) HK cents</b>	0.24 HK cents
	<b>30 September 2020</b>	<b>31 March 2020</b>
Net borrowings	<b>0</b>	0
Current ratio	<b>1.8 times</b>	1.7 times
Total equity	<b>HK\$621 million</b>	HK\$698 million
Aggregate value of major contracts on hand	<b>about HK\$214 million yet to complete</b>	about HK\$62 million yet to complete

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

#### Group Revenue and Profit

The Group's revenue for the Period decreased 55% to HK\$128 million (2019: HK\$286 million). Contract revenue for the Period dropped mainly because (a) the Hospital Expansion, Airport Logistic Centre and Tseung Kwan O Cross Bay Link construction projects were completed; but (b) the newly awarded construction works of West Kowloon Cultural District and Kai Tak Development District projects have been scheduled mainly in the second half of this financial year. Therefore, the construction productivity was relatively low during such gap period.

Accordingly, the Group recorded a gross loss of HK\$40 million (2019: gross profit of HK\$25 million) and a net loss of HK\$43 million for the Period (2019: a net profit of HK\$4 million) because the Group's revenue dropped while overhead costs such as equipment depreciation and labour costs did not decrease in proportion.

#### Major Projects

	<b>As at 30 September 2020 Completion status</b>	<b>Expected Completion Date</b>	<b>Estimated Remaining Contract Value (HK\$)</b> <i>(Note)</i>
Airport Logistic Centre	Completed	N/A	N/A
Hospital Expansion	Completed	N/A	N/A
West Kowloon Cultural District	0%	2021 Q1	138 million
Kai Tak Development District	33%	2021 Q1	60 million
Tseung Kwan O Interchange	90%	2021 Q1	16 million

*Note:* The above remaining contract values were determined with reference to internal estimates based on currently available information, and may be subsequently revised.

#### *Airport Logistics Centre*

This project commenced in mid-2019 and was completed in mid-2020. This project contributed about 28% of the Group's revenue for the Period.

### *Hospital Expansion*

This project commenced in mid-2015 and was completed in mid-2020. This project contributed about 20% of the Group's revenue for the Period.

### *West Kowloon Cultural District*

This is a new project awarded in about July 2020, with contract value of approximately HK\$138 million. It is a subcontract for bored pile works for integrated basement and underground road of the West Kowloon Cultural District. The construction works will be carried out mainly in the second half of the financial year.

This project had not contributed to the Group's revenue for the Period.

### *Kai Tak Development District*

There are two new projects in Kai Tak Development District which have commenced in mid-2020. The aggregate contract value of these two projects is estimated to be about HK\$90 million. These projects consist of bored pile works for residential development.

The two projects contributed about 24% of the Group's revenue for the Period.

### *Tseung Kwan O Interchange*

This project, commenced in mid-2018, is a subcontract for marine bored pile works for a part of the Tseung Kwan O – Lam Tin Tunnel.

This project contributed about 14% of the Group's revenue for the Period.

### *Other projects*

A few other projects contributed to about 14% of the Group's revenue for the Period.

## **New project to commence after the period end date**

### *Proposed Commercial Building in Kwun Tong District*

This is a contract for foundation and associated works for a proposed commercial building in Kwun Tong district. The contract works of this project will commence in the second half of this financial year and is expected to be completed by early 2022.

## Business Outlook

The COVID-19 has poses a threat to the global economy as well as to the Hong Kong construction industry. There has been a sharp decrease in construction projects in Hong Kong amidst the economic downturn caused by the pandemic as well as the social unrest which slowed down funding of new projects. A number of planned tenders available for bidding have been delayed. Currently, the unemployment and underemployment rate in the construction sector is the worst since the post-global financial crisis in 2009, cited by industry unions. As such, the industry is urgently looking to the government for reviving the public works sector so that more job employments can be retained.

In the meantime, the Group has slightly adjusted its strategy and obtained a few smaller projects in the first half of the financial year to keep up the momentum. In the near-term, the Group will watch closely on the planned construction projects in West Kowloon and Kai Tak districts which have been delayed to the latter half of the year.

As mentioned in the latest Policy Address 2020 delivered by the Chief Executive, the Government will have annual expenditure of over HK\$100 billion investing in infrastructure for the next few years. In the long-term housing strategy, 316,000 public housing units will be built on new land supply from reclamation in Tung Chung, brownfield sites in New Development Areas in the New Territories, partial development of the Fanling Golf Course and site reallocation in Kowloon East in the coming 10 years. The Government's development strategy also attaches great importance to iconic projects including Energizing Kowloon East, Invigorating Island South and Lantau Tomorrow Vision.

The directors of the Company support the government to expedite the implementation of public works projects and further hope that the government can grab the good timing to expand the infrastructure investments for the future of Hong Kong's development. This is vital to the sustainability of Hong Kong as a leading international city and to tap into the opportunities arising from the development of innovation and technology hub in the Greater Bay Area.

Recently, there were signs of regaining efficiency in the Legislative Council when six public projects worth about HK\$6.8 billion were endorsed by the public works subcommittee in mid-November in one go. However, before landing of the above-said government efforts to bring the industry out of the bottom, the Group expects to operate in a very tough environment in the coming months, bearing high overhead costs relative to shrinking revenue generated by projects with smaller contract sum. The directors of the Company nonetheless share the view that the financial position of the Group remains healthy, as highlighted by zero net gearing as at 30 September 2020. The Group will therefore be able to brace against operational pressure and is confident to overcome the hard time now.

## FINANCIAL REVIEW AND ANALYSIS

The Group's financial position remains healthy, with current ratio at 1.8 times (31 March 2020: 1.7 times) and total cash and bank balance amounted to approximately HK\$146 million (31 March 2020: HK\$210 million). Net borrowings were zero (31 March 2020: zero), with the Group in a net cash position as at 30 September 2020.

### Administrative Expenses

Administrative expenses were approximately HK\$21 million for the Period (2019: HK\$20 million), which was largely the same as the Previous Period.

### Finance Income/Cost

Same as the Previous Period, the Group recorded net finance income mainly because of the net cash position of the Group.

### Capital Expenditures and Capital Commitments

The Group generally finances its capital expenditures by internally generated resources, long-term bank loans and finance leases. During the Period, the Group invested HK\$4 million in additional machinery and equipment. As at 30 September 2020 and 31 March 2020, the Group did not have capital commitments relating to the purchase of machinery and equipment. During the Period, save as disclosed herein, the Group did not make any material acquisition or disposal of asset.

### Liquidity, Financial Resources and Gearing

#### *Liquidity*

The Group generally meets its working capital requirements by cash flows generated from its operations and short-term borrowings. During the Period, the Group generated HK\$27 million from operating activities (2019: HK\$15 million). Together with short-term bank loans and overdrafts facilities available, the Group has been financially sound in its daily operations throughout the Period.

#### *Cash and Bank Balances*

As at 30 September 2020, the Group had total cash and bank balances of approximately HK\$146 million (31 March 2020: HK\$210 million) mainly denominated in Hong Kong dollars. Cash and bank balances decreased mainly because of the repayment of short-term bank loans and the payment of final dividend relating to the year ended 31 March 2020.

#### *Borrowings*

As at 30 September 2020, the Group had total borrowings of approximately HK\$70 million (31 March 2020: HK\$119 million) denominated in Hong Kong dollars. Borrowings generally include short-term and long-term bank loans and overdrafts bearing floating interest rates. Of the total borrowings, approximately HK\$55 million (31 March 2020: HK\$101 million) were for short-term bank loans and bank overdrafts and approximately HK\$8 million (31 March 2020: HK\$9 million) were for the current portion of long-term bank loans with maturity dates within 12 months.

### *Gearing Ratio and Total Equity*

As at 30 September 2020, the Group did not have net gearing (net borrowings divided by total equity), instead, it had a net cash position (31 March 2020: same). For the purpose of calculating the Group's net gearing ratio, net borrowings refer to the total borrowings less cash and cash equivalents and restricted bank balances.

The Group's total equity as at 30 September 2020 was approximately HK\$621 million (31 March 2020: HK\$698 million).

### **Foreign Exchange Exposure**

Operations of the Group are mainly conducted in Hong Kong dollars. Its revenue, expenses, cash and bank balances, borrowings, other monetary assets and liabilities are principally denominated in Hong Kong dollars. Other than the purchases paid in Euros and Singapore dollars, the Group was not exposed to any significant foreign currency risk. Furthermore, the Group did not employ any financial instrument for hedging.

### **Contingent Liabilities**

As at 30 September 2020, save for guarantees of performance bonds relating to four foundation works and ancillary services projects of the Group of approximately HK\$50 million, HK\$18 million, HK\$17 million and HK\$7 million (31 March 2020: approximately HK\$50 million, HK\$18 million and HK\$17 million), the Group did not have any material contingent liabilities. The performance bonds are expected to be released in accordance with the terms of the respective construction contracts.

### **Pledge of Assets**

As at 30 September 2020, the net book amount of right-of-use assets approximately HK\$8 million (31 March 2020: HK\$16 million) and plant and equipment approximately HK\$36 million (31 March 2020: HK\$52 million) was pledged for lease liabilities and long-term bank loans, respectively. None of the banking facilities of the Group were secured by the Group's bank deposits (31 March 2020: none).

## **HUMAN RESOURCES**

As at 30 September 2020, the Group had around 265 employees (31 March 2020: 331). The remuneration packages that it offers to employees include salary, discretionary bonus and allowance. In general, the Group determines employees' salaries based on individual qualification, position and performance (where applicable).



## OTHER INFORMATION

### Disclosure of Interests

At 30 September 2020, the interests and short positions of directors in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules, are as follows:

#### (a) Directors’ interest in the Company:

Name of director	Number of ordinary shares of HK\$0.0025 each (long position)	Percentage of shareholding	Capacity
Mr. Lau Chun Ming	1,200,000,000	71.43%	Founder of a discretionary trust
Ms. Leung Lai So	1,200,000,000	71.43%	Beneficiary of a discretionary trust

#### (b) Directors’ interest in associated corporations of the Company:

Name of director	Name of associated corporation	Percentage of shareholding	Capacity
Mr. Lau Chun Ming	Actiease Assets Limited	100%	Founder of a discretionary trust
Mr. Lau Chun Ming	Silver Bright Holdings Limited	100%	Founder of a discretionary trust
Ms. Leung Lai So	Actiease Assets Limited	100%	Beneficiary of a discretionary trust
Ms. Leung Lai So	Silver Bright Holdings Limited	100%	Beneficiary of a discretionary trust

So far as the directors are aware, as at 30 September 2020 the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

**(c) Substantial shareholders' interests in the Company**

Name of shareholder	Number of shares (long position)	Percentage of shareholding	Capacity
Actiease Assets Limited	1,200,000,000	71.43%	Beneficial owner
Silver Bright Holdings Limited	1,200,000,000	71.43%	Interest of a controlled corporation
Managecorp Limited as trustee of a unit trust	1,200,000,000	71.43%	Trustee
SW AA Holdings Limited	1,200,000,000	71.43%	Trustee

Notes:

1. 1,200,000,000 shares were held by Actiease Assets Limited, a company wholly owned by Silver Bright Holdings Limited which is indirectly owned by a discretionary trust of which Ms. Leung Lai So is the beneficiary.
2. Silver Bright Holdings Limited is 100% held by Managecorp Limited as trustee of a unit trust, of which issued units are 100% held by SW AA Holdings Limited as trustee of a discretionary trust set up by Mr. Lau Chun Ming.

**Purchase, Sale or Redemption of Listed Securities**

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

## Corporate Governance

The Company had complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the Period.

## Model Code of Securities Transactions by Directors

All directors confirmed that they complied with the required standards as set out in the Model Code throughout the Period.

## Audit Committee

The audit committee, comprising three independent non-executive directors, namely Professor Wong Sue Cheun, Roderick, Mr. Chu Tak Sum and Mr. Ip Tin Chee, Arnold, has reviewed the accounting principles and practice adopted by the Group, and the unaudited consolidated financial statements of the Group for the Period.

On behalf of the Board of  
**Sam Woo Construction Group Limited**  
**Lau Chun Ming**  
Chairman

Hong Kong, 26 November 2020

*As at the date of this report, the executive directors are Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So; and the independent non-executive directors are Professor Wong Sue Cheun, Roderick, Mr. Chu Tak Sum and Mr. Ip Tin Chee, Arnold.*

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	<i>Note</i>	Unaudited Six months ended 30 September	
		2020 <b>HK\$'000</b>	2019 HK\$'000
Revenue from contracts with customers	5	<b>128,472</b>	285,548
Cost of sales	6	<b>(168,911)</b>	(261,009)
Gross (loss)/profit		<b>(40,439)</b>	24,539
Other income	7	<b>9,479</b>	232
Administrative expenses	6	<b>(20,753)</b>	(19,661)
Operating (loss)/profit		<b>(51,713)</b>	5,110
Finance income	8	<b>1,128</b>	1,257
Finance costs	8	<b>(769)</b>	(910)
Finance income, net	8	<b>359</b>	347
(Loss)/profit before income tax		<b>(51,354)</b>	5,457
Income tax credit/(expense)	9	<b>8,451</b>	(1,444)
(Loss)/profit and total comprehensive income for the period		<b>(42,903)</b>	4,013
(Loss)/profit and total comprehensive income attributable to equity holders of the Company		<b>(42,903)</b>	4,013
		<b>HK cents</b>	HK cents
Basic and diluted (loss)/earnings per share	10	<b>(2.55)</b>	0.24

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 SEPTEMBER 2020

		<b>Unaudited 30 September 2020 HK\$'000</b>	Audited 31 March 2020 HK\$'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	12	<b>16,035</b>	19,284
Plant and equipment	13	<b>541,122</b>	543,671
Deferred income tax assets		<b>6,754</b>	2,877
Financial assets at fair value through other comprehensive income		<b>20,120</b>	20,120
Deposits and prepayments		<b>2,144</b>	836
		<b>586,175</b>	586,788
<b>Current assets</b>			
Trade and retention receivables	14	<b>68,947</b>	236,663
Deposits, prepayments and other receivables		<b>5,961</b>	6,984
Contract assets	15	<b>4,835</b>	379
Income tax recoverable		–	2,090
Restricted bank balances	16	<b>3,177</b>	3,145
Cash and cash equivalents		<b>142,513</b>	207,321
		<b>225,433</b>	456,582
<b>Total assets</b>		<b>811,608</b>	1,043,370
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	17	<b>4,200</b>	4,200
Reserves		<b>617,224</b>	693,727
<b>Total equity</b>		<b>621,424</b>	697,927
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings – non-current portion	20	<b>6,202</b>	10,045
Lease liabilities – non-current portion	12	<b>3,541</b>	–
Deferred income tax liabilities		<b>51,335</b>	56,423
Amount due to a director		<b>3,177</b>	3,145
		<b>64,255</b>	69,613

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30 SEPTEMBER 2020

		<b>Unaudited</b>	Audited
		<b>30 September</b>	31 March
		<b>2020</b>	2020
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current liabilities</b>			
Trade and retention payables	18	<b>44,505</b>	124,299
Accruals and other payables	19	<b>6,173</b>	24,655
Contract liabilities	15	<b>4,919</b>	11,366
Borrowings – current portion	20	<b>63,489</b>	109,437
Lease liabilities	12	<b>4,620</b>	4,364
Income tax payable		<b>2,223</b>	1,709
		<b>125,929</b>	275,830
<b>Total liabilities</b>		<b>190,184</b>	345,443
<b>Total equity and liabilities</b>		<b>811,608</b>	1,043,370

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

Unaudited

	<b>Share capital</b>	<b>Share premium</b>	<b>Financial assets at fair value through other comprehensive income fair value reserve</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2019	4,200	194,087	1,170	10,500	415,959	625,916
Effect on adoption of HKFRS 16	-	-	-	-	(207)	(207)
Restated balance	<u>4,200</u>	<u>194,087</u>	<u>1,170</u>	<u>10,500</u>	<u>415,752</u>	<u>625,709</u>
<b>Comprehensive income</b>						
Profit for the period	-	-	-	-	4,013	4,013
At 30 September 2019	<u>4,200</u>	<u>194,087</u>	<u>1,170</u>	<u>10,500</u>	<u>419,765</u>	<u>629,722</u>
At 1 April 2020	<u>4,200</u>	<u>194,087</u>	<u>370</u>	<u>10,500</u>	<u>488,770</u>	<u>697,927</u>
<b>Comprehensive income</b>						
Loss for the period	-	-	-	-	(42,903)	(42,903)
<b>Contribution by and distribution to owners</b>						
Dividends relating to the year ended 31 March 2020	-	-	-	-	(33,600)	(33,600)
At 30 September 2020	<u>4,200</u>	<u>194,087</u>	<u>370</u>	<u>10,500</u>	<u>412,267</u>	<u>621,424</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2020</b>	2019
<i>Note</i>		<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>			
Net cash generated from operations		<b>24,427</b>	15,517
Interest paid		<b>(628)</b>	(536)
Interest received		<b>1,128</b>	1,257
Interest element of lease payments	<i>8</i>	<b>(109)</b>	(342)
Restricted bank balances	<i>16</i>	<b>(32)</b>	(32)
Hong Kong profits tax refunded/(paid)		<b>2,090</b>	(561)
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<b>Net cash generated from operating activities</b>		<b>26,876</b>	15,303
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from investing activity</b>			
Purchase of plant and equipment		<b>(3,978)</b>	(11,065)
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<b>Net cash used in investing activity</b>		<b>(3,978)</b>	(11,065)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from financing activities</b>			
Drawdown of long-term bank loans		–	19,961
Repayment of long-term bank loans		<b>(4,285)</b>	(3,311)
Drawdown of short-term bank loans		<b>66,914</b>	114,926
Repayment of short-term bank loans		<b>(114,639)</b>	(102,150)
Principal elements of lease payments		<b>(4,507)</b>	(9,581)
Dividend paid		<b>(33,600)</b>	–
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<b>Net cash (used in)/generated from financing activities</b>		<b>(90,117)</b>	19,845
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>



## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(67,219)</b>	24,083
Cash and cash equivalents at beginning of the period	<u><b>207,321</b></u>	<u>196,964</u>
<b>Cash and cash equivalents at end of the period</b>	<u><b>140,102</b></u>	<u>221,047</u>
<b>Analysis of cash and cash equivalents</b>		
Cash and cash equivalents	<b>142,513</b>	221,047
Bank overdraft	<i>20</i> <b>(2,411)</b>	–
	<u><b>140,102</b></u>	<u>221,047</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 General information

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. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in foundation works and ancillary services in Hong Kong and Macau.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated and was approved for issue on 26 November 2020.

This condensed consolidated interim financial information has not been audited.

## 2 Basis of preparation and accounting policies

### 2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2020 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 (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and has been prepared under the historical cost convention except for financial assets at fair value through other comprehensive income which are measured at fair values.

### 2.2 Accounting policies

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 March 2020 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

In the current interim period, the Group has applied, for the first time, the following amendments to HKAS issued by the HKICPA which are relevant to the Group:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting
Amendments to HKFRS 3	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The application of the above amendments to existing standards and revised conceptual framework in the current period has no material impact on the Group’s results and financial position.

### 3 Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 March 2020.

During the Period, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and liabilities.

### 4 Critical accounting estimates and judgements

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the critical accounting estimates and judgements applied were consistent with those described in the annual financial statements for the year ended 31 March 2020.

### 5 Revenue from contract with customers and segment information

Revenue from contract with customers, which is also the Group's turnover, represents gross contract receipts on foundation works and ancillary services in the ordinary course of business. Revenue recognised is as follows:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Foundation works and ancillary services	<b>128,472</b>	285,548

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as a single operating segment and review financial information accordingly. Therefore, no segment information is presented.

## 6 Expenses by nature

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Cost of sales		
Construction contracts costs <i>(note)</i>	<b>149,153</b>	245,336
Depreciation – plant and equipment	<b>14,150</b>	11,447
Depreciation – right-of-use assets	<b>97</b>	202
Repair and maintenance	<b>4,802</b>	3,594
Others	<b>709</b>	430
	<b>168,911</b>	261,009
Administrative expenses		
Staff costs, including directors' emoluments	<b>8,393</b>	8,356
Depreciation – plant and equipment	<b>363</b>	282
Depreciation – right-of-use assets	<b>3,470</b>	3,447
Operating leases rental in respect of		
– office premises and storage premises	<b>2,374</b>	2,122
– directors' quarters	<b>723</b>	1,084
Professional fees	<b>2,048</b>	1,965
Exchange gain	<b>(142)</b>	(815)
Others	<b>3,524</b>	3,220
	<b>20,753</b>	19,661
Total cost of sales and administrative expenses	<b>189,664</b>	280,670

*Note:*

Construction contract costs included but not limited to costs of construction materials, staff costs, consultancy fee, parts and consumables, subcontracting charges and transportation.

**7 Other income**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Other income:		
– Government grant ( <i>note</i> )	<b>9,226</b>	79
– Machinery and equipment leasing income	<b>253</b>	153
	<b>9,479</b>	232

*Note:*

Government grant recognised during the Period mainly included wage subsidies of HK\$9,047,000 granted from the Hong Kong SAR government's Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees from June to September 2020.

**8 Finance income and costs**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Finance income:		
– Interest income on bank deposits	<b>1,128</b>	1,257
Finance costs:		
– Interest expense on bank loans	<b>(626)</b>	(516)
– Interest expense on bank overdrafts	<b>(2)</b>	(20)
– Interest expense on leases liabilities	<b>(109)</b>	(342)
– Interest expense on amount due to a director	<b>(32)</b>	(32)
	<b>(769)</b>	(910)
Finance income, net	<b>359</b>	347

## 9 Income tax (credit)/expense

Hong Kong profits tax has been provided at the rate of 16.5%, on the estimated assessable profit for the Period and the Previous Period.

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax		
Current income tax	<b>514</b>	5,168
Deferred income tax	<b>(8,965)</b>	(3,724)
	<b>(8,451)</b>	1,444

## 10 (Loss)/earnings per share

### (a) Basic

Basic loss/earnings per share is calculated by dividing the loss/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	<b>(42,903)</b>	4,013
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (thousands)	<b>1,680,000</b>	1,680,000
Basic (loss)/earnings per share (HK cents)	<b>(2.55)</b>	0.24

### (b) Diluted

Diluted loss/earnings per share is of the same amount as the basic loss/earnings per share as there were no potential dilutive ordinary shares outstanding at Period end.

## 11 Dividends

The Board resolved not to declare interim dividend for the Period (2019: Nil).

## 12 Right-of-use assets and lease liabilities

### *Right-of-use assets*

	<b>Unaudited 30 September 2020 HK\$'000</b>	Audited 31 March 2020 HK\$'000
Of which are:		
Properties	7,984	3,133
Machinery and equipment	8,051	16,086
Motor Vehicle	–	65
	<b>16,035</b>	19,284

### *Lease liabilities*

	<b>Unaudited 30 September 2020 HK\$'000</b>	Audited 31 March 2020 HK\$'000
Of which are:		
Current lease liabilities	4,620	4,364
Non-current lease liabilities	3,541	–
	<b>8,161</b>	4,364

## 13 Plant and equipment

	<b>Unaudited Six months ended 30 September 2020 HK\$'000</b>	2019 HK\$'000
At 1 April	543,671	563,615
Reclassified as right-of-use assets at the initial application of HKFRS 16	–	(64,386)
Transfer from right-of-use assets	7,986	32,279
Additions	3,978	11,065
Depreciation	(14,513)	(11,729)
At 30 September	<b>541,122</b>	530,844



## 14 Trade and retention receivables

	<b>Unaudited</b> <b>30 September</b> <b>2020</b> <b>HK\$'000</b>	Audited 31 March 2020 HK\$'000
Trade receivables	<b>26,254</b>	172,269
Retention receivables	<b>67,702</b>	89,403
	<hr/>	<hr/>
Trade and retention receivables	<b>93,956</b>	261,672
Less: loss allowance	<b>(25,009)</b>	(25,009)
	<hr/>	<hr/>
	<b>68,947</b>	236,663
	<hr/>	<hr/>

The credit period granted to trade customers other than for retention receivables was within 45 days. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

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

	<b>Unaudited</b> <b>30 September</b> <b>2020</b> <b>HK\$'000</b>	Audited 31 March 2020 HK\$'000
1 to 30 days	<b>26,254</b>	122,195
31 to 60 days	–	50,074
	<hr/>	<hr/>
Total	<b>26,254</b>	172,269
	<hr/>	<hr/>

As at 30 September 2020 and 31 March 2020, there were no retention receivables which were past due.

**15 Contract assets and contract liabilities**

<b>Unaudited</b>	Audited
<b>30 September</b>	31 March
<b>2020</b>	2020
<b>HK\$'000</b>	HK\$'000

Included in current assets/(liabilities) are the following:

Contract assets <i>(note i)</i>	<b>4,835</b>	379
Contract liabilities <i>(note ii)</i>	<b>(4,919)</b>	(11,366)
	<b>(84)</b>	(10,987)

- (i) Contract assets related to construction services consist of unbilled amount resulting from construction when the cost-to-cost method of revenues recognised exceeds the amount billed the customer. The contract assets are transferred to trade receivables when the rights become unconditional.
  
- (ii) The contract liabilities primarily relate to the advanced consideration received from customers.

**16 Restricted bank balances**

As at 30 September 2020 and 31 March 2020, restricted bank balances represents a deposit placed by a director.

**17 Share capital and reserves**

There had been no change in the share capital of the Company during the Period.

**18 Trade and retention payables**

	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 March
	<b>2020</b>	2020
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>31,571</b>	102,976
Retention payables	<b>12,934</b>	21,323
	<b>44,505</b>	124,299

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

	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 March
	<b>2020</b>	2020
	<b>HK\$'000</b>	HK\$'000
0 to 30 days	<b>29,857</b>	93,074
31 to 60 days	<b>362</b>	8,962
61 to 90 days	<b>500</b>	–
181 to 365 days	–	16
More than 365 days	<b>852</b>	924
	<b>31,571</b>	102,976

**19 Accruals and other payables**

Accruals and other payables mainly represent the accruals and other payables for wages, legal and professional fees and other miscellaneous expenses.

## 20 Borrowings

	<b>Unaudited 30 September 2020 HK\$'000</b>	Audited 31 March 2020 HK\$'000
Non-current		
Long-term bank loans	<b>6,202</b>	10,045
	<b>6,202</b>	10,045
Current		
Bank overdraft	<b>2,411</b>	–
Short-term bank loans	<b>52,986</b>	100,903
Current portion of long-term bank loans due for repayment within one year	<b>8,092</b>	8,534
	<b>63,489</b>	109,437
Total borrowings	<b>69,691</b>	119,482

## 21 Capital commitments

There were no capital commitments as at 30 September 2020 and 31 March 2020.

## 22 Related party transactions

Save as disclosed elsewhere in the condensed consolidated interim financial information, the following were carried out with related parties in normal course of business during the Period.

(a) *Rental expenses paid to related companies*

	<b>Unaudited Six months ended 30 September 2020 HK\$'000</b>	2019 HK\$'000
<b>Rental expenses paid to:</b>		
Cheer Crown Limited	<b>1,080</b>	1,080
East Ascent Enterprise Limited	<b>23</b>	23
Cheer Profit International Enterprise Limited	<b>23</b>	23
Long Ascent Development Limited	<b>300</b>	300
Cheer Wealth International Development Limited	<b>438</b>	438
Healthy World Investment Limited	<b>300</b>	300

Rental expenses in respect of storage premises and directors' quarters were paid to companies beneficially owned by certain directors of the Company based on agreements entered into between the parties involved with reference to market rates of similar properties.

**22 Related party transactions (continued)***(b) Interest expenses payable to a related party*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Interest expenses payable to a director	<b>32</b>	32

Interest expenses was payable to a director, Mr. Lau Chun Ming, in respect of the amount due to a director.

*(c) Key management compensation*

Key management includes directors (executive and non-executive) of the Group. The compensation paid or payable to key management for employee services is disclosed below.

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Fees	<b>360</b>	360
Salaries	<b>1,466</b>	1,466
Directors' quarters	<b>1,084</b>	1,084
	<b>2,910</b>	2,910

*(d) Balance – non-trade*

	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 March
	<b>2020</b>	2020
	<b>HK\$'000</b>	HK\$'000
Payable to a director: Mr. Lau Chun Ming	<b>3,177</b>	3,145