



LING YUI HOLDINGS LIMITED

凌銳控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 784



**Interim
Report 2020**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lee Kim Ming (*Chairman*)
Mr. Chan Siu Hung (*Chief Executive Officer*)
Mr. Han Zhenghai
(*appointed on 2 November 2020*)

Independent Non-executive Directors

Mr. Chong Kam Fung
Mr. Ho Chun Chung Patrick
Mr. Shi Wai Lim William

BOARD COMMITTEES

Audit Committee

Mr. Ho Chun Chung Patrick (*Chairman*)
Mr. Chong Kam Fung
Mr. Shi Wai Lim William

Remuneration Committee

Mr. Chong Kam Fung (*Chairman*)
Mr. Lee Kim Ming
Mr. Ho Chun Chung Patrick
Mr. Shi Wai Lim William

Nomination Committee

Mr. Lee Kim Ming (*Chairman*)
Mr. Chong Kam Fung
Mr. Ho Chun Chung Patrick
Mr. Shi Wai Lim William

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor
35/F, One Pacific Place
88 Queensway
Hong Kong

JOINT COMPANY SECRETARIES

Ms. Ng Hoi Ying
Ms. Leung Lai Ming
(*appointed on 2 November 2020*)

AUTHORISED REPRESENTATIVES

Mr. Lee Kim Ming
Ms. Ng Hoi Ying

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1702-03, Stelux House
698 Prince Edward Road East
San Po Kong
Kowloon
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

CFN Lawyers in association with
Broad and Bright
Units 4101-04, 41/F
Sun Hung Kai Centre
30 Harbour Road
Wan Chai, Hong Kong

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

PRINCIPAL BANKS

Bank of Communications Co., Ltd.
Dah Sing Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited

COMPANY'S WEBSITE

www.lingyui.com.hk

STOCK CODE

784

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

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
	<i>Notes</i>		
Revenue	4	109,306	188,910
Direct costs		(103,382)	(174,357)
Gross profit		5,924	14,553
Other income	5	7,211	546
Other gains and losses	5	89	23
Impairment loss allowance of trade receivables and contract assets under expected credit loss model		13	–
Administrative expenses		(11,825)	(12,971)
Finance costs	6	(1,068)	(1,074)
Profit before taxation	7	344	1,077
Income tax expense	8	(4)	(450)
Profit and total comprehensive income for the period		340	627
Profit and total comprehensive income attributable to owners of the company		340	627
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to owners of the company			
– Basic and diluted	10	0.04	0.08

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Non-current assets			
Property and equipment	11	59,588	58,710
Deposits and payment for life insurance policy	13	3,829	4,409
		63,417	63,119
Current assets			
Trade receivables	12	48,632	50,853
Deposits, prepayments and other receivables	13	5,895	6,956
Tax recoverable		447	2,644
Contract assets		107,078	132,095
Bank balances	14	3,750	5,237
		165,802	197,785
Current liabilities			
Trade payables	15	45,771	76,986
Other payables and accrued charges	16	22,663	24,400
Contract liabilities		5,800	4,673
Bank borrowings	17	39,244	39,930
Lease liabilities		1,831	5,585
		115,309	151,574
Net current assets		50,493	46,211
Total assets less current liabilities		113,910	109,330
Non-current liabilities			
Deferred tax liabilities		1,551	1,551
Bank borrowings	17	5,402	1,171
Lease liabilities		1,475	1,466
		8,428	4,188
Net assets		105,482	105,142
Equity attributable to owners of the company			
Share capital	18	8,000	8,000
Reserves		97,482	97,142
Total equity		105,482	105,142

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the company				Total <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	
Balance at 1 April 2019 (audited)	8,000	123,367	(60,130)	33,617	104,854
Profit and total comprehensive income for the period	-	-	-	627	627
Balance at 30 September 2019 (unaudited)	8,000	123,367	(60,130)	34,244	105,481
Balance at 1 April 2020 (audited)	8,000	123,367	(60,130)	33,905	105,142
Profit and total comprehensive income for the period	-	-	-	340	340
Balance at 30 September 2020 (unaudited)	8,000	123,367	(60,130)	34,245	105,482

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	5,881	(10,305)
INVESTING ACTIVITIES		
Purchases of property and equipment	(6,256)	(296)
Proceeds from disposals of property and equipment	156	30
NET CASH USED IN INVESTING ACTIVITIES	(6,100)	(266)
FINANCING ACTIVITIES		
Interest paid	(1,068)	(1,074)
Repayment of bank borrowings	(53,848)	(69,903)
New bank borrowings raised	54,246	67,672
Repayment of lease liabilities/finance leases	(598)	(179)
NET CASH USED IN FINANCING ACTIVITIES	(1,268)	(3,484)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,487)	(14,055)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,237	26,367
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD represented by bank balances	3,750	12,312

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. GENERAL

Ling Yui Holdings Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law on 24 January 2017. 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 in Hong Kong of the Company is located at Units 1702-03, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”) is principally engaged in provision of foundation engineering services in Hong Kong.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Group.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the principles of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“**AG 5**”) issued by the HKICPA and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of the unaudited condensed consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

3. PRINCIPAL ACCOUNTING POLICIES

(a) **The following new and amended HKFRSs have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2020:**

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 16 HKFRS 17	Covid-19-Related Rent Concessions ¹ Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after a date to be determined

The directors of the Company (the "**Directors**") are in process of assessing the potential impact of the new and revised HKFRSs, and at this stage have not yet anticipated or determined the effect of the application of these new and revised HKFRSs on the financial performance and financial position of the Group.

4. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable from the foundation engineering services provided by the Group to external customers. The Group's revenue is solely derived from foundation engineering services in Hong Kong. For the purpose of resources allocation and performance assessment, the chief operating decision maker representing the Directors reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies of the Group. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's property and equipment amounting to approximately HK\$59,588,000 (31 March 2020: approximately HK\$58,710,000) are all located in Hong Kong by physical location of assets.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. REVENUE AND SEGMENTAL INFORMATION (CONTINUED)

Information about major customers

Revenue from customers contributing over 10% of the Group's total revenue during the period is as follows:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A	35,710	147,732
Customer B	24,330	N/A ¹
Customer C	18,654	N/A ¹
Customer D	15,042	N/A ¹

¹ Less than 10% of the Group's total revenue for the six months ended 30 September 2019.

5. OTHER INCOME AND OTHER GAINS AND LOSSES

Other income

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Government subsidies	4,758	–
Interest income from investment asset	68	71
Income from sale of rock	224	–
Machinery rental income	750	88
Sundry income	1,411	387
	7,211	546

Other gains and losses

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Gain on disposal of property and equipment	89	23
	89	23

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

6. FINANCE COSTS

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Finance costs on:		
Lease liabilities/obligations under finance leases	382	479
Bank borrowings	686	595
	1,068	1,074

7. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	600	600
Depreciation of property and equipment	4,849	5,631
Depreciation of right-of-use assets	662	205
Directors' remuneration	1,390	1,378
Other staff costs		
Salaries and other benefits	26,428	27,285
Retirement benefits scheme contributions	830	869
Total staff costs	28,648	29,532
Minimum lease payments under operating leases in respect of:		
– land and buildings	N/A	463
– machineries and construction equipment	N/A	3,565
	N/A	4,028

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

8. INCOME TAX EXPENSE

For the six months ended 30 September 2020 and 2019, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5% on the estimated assessable profits.

The amount of income tax expense charged to the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Hong Kong Profits Tax:		
Current tax	4	450
	4	450

9. DIVIDENDS

The board of Directors (the "**Board**") does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

10. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 September	
	2020 (Unaudited)	2019 (Unaudited)
Earnings for the period attributable to owners of the Company (HK\$'000)	340	627
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	800,000	800,000
Earnings per share (expressed in HK cents per share)	0.04	0.08

For the six months ended 30 September 2020 and 2019, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share were derived from 800,000,000 shares.

(b) Diluted

Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary share for six months ended 30 September 2020 and 2019.

11. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired certain items of property, plant and equipment of approximately HK\$4,322,000 (six months ended 30 September 2019: approximately HK\$2,182,000).

During the six months ended 30 September 2020, the Group disposed of a motor vehicle with carrying amount of approximately HK\$67,000 (six months ended 30 September 2019: approximately HK\$7,000) and recognised a gain of approximately HK\$89,000 during the six months ended 30 September 2020 (six months ended 30 September 2019: approximately HK\$23,000) in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

12. TRADE RECEIVABLES

The Group grants credit terms of 7 to 30 days to its customers from the date of invoices on progress payments of contract works. An ageing analysis of the trade receivables presented based on the invoice date at the end of the reporting period.

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0 – 30 days	29,791	27,034
31 – 60 days	3,914	14,622
61 – 90 days	2,196	–
91 – 365 days	3,533	2,805
Over 365 days	9,198	6,392
	48,632	50,853

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Deposits for acquisition of property and equipment	–	200
Deposits	1,246	1,184
Pledged deposit	4,168	5,768
Other receivables	425	385
Prepayments	56	41
Payment for life insurance policy	3,829	3,787
Total	9,724	11,365
Presented as non-current assets	3,829	4,409
Presented as current assets	5,895	6,956
Total	9,724	11,365

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

14. BANK BALANCES

Bank balances comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate of 0.01% per annum.

15. TRADE PAYABLES

The credit period is 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0 – 30 days	15,994	27,316
31 – 60 days	524	13,599
Over 60 days	29,253	36,071
	45,771	76,986

16. OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Accrued charges	5,245	2,856
Retention payable	12,932	16,561
Accrued staff cost	4,486	4,983
	22,663	24,400

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

17. BANK BORROWINGS

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Guaranteed bank borrowings repayable within one year		
Secured	37,567	31,162
Unsecured	7,079	9,939
	44,646	41,101

All bank borrowings contain repayment on demand clause and are repayable within one year based on scheduled repayment dates set out in the loan agreements.

The Group's bank borrowings as at 30 September 2020 were secured and guaranteed by:

- (a) life insurance policy of the Group; and
- (b) corporate guarantees provided by the Company.

As at 30 September 2020, the Group has discounted trade receivables with full recourse amounting to approximately HK\$17,413,000 (31 March 2020: approximately HK\$26,813,000) to banks for short term borrowings and the associated borrowings amounted to approximately HK\$16,320,000 (31 March 2020: approximately HK\$21,775,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

18. SHARE CAPITAL

The share capital balance as at 30 September 2020 in the unaudited condensed consolidated statement of financial position represented the issued share capital of the Company. Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

	Number of shares	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2020 and 30 September 2020	2,000,000,000	20,000
Issued and fully paid:		
At 31 March 2020 and 30 September 2020	800,000,000	8,000

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the six months ended 30 September 2020 and 2019 were as follows:

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Short-term benefits	3,198	2,031
Post-employment benefits	54	45
	3,252	2,076

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

20. CONTINGENT LIABILITIES

During the year ended 31 March 2019, Ming Lee Foundation Company Limited ("**Ming Lee Foundation**"), an indirect wholly-owned subsidiary of the Company, received two Writs of Summons from W.M. Contractor Limited ("**W.M. Contractor**"), being the plaintiff claiming against Ming Lee Foundation being the defendant for the overpayment made by W.M. Contractor of certain construction projects in the amount of approximately HK\$441,000 (the "**1st Action**") and HK\$2,001,000 (the "**2nd Action**") respectively. W.M. Contractor subsequently filed an amended statement of claim revising the claim for the amount of overpayment made by W.M. Contractor in the 1st Action to approximately HK\$4,588,000.

During the year ended 31 March 2020, Ming Lee Foundation filed a defence to and counterclaim against W.M. Construction Limited ("**W.M. Construction**") and W.M. Contractor in the amount of approximately HK\$4,764,000 and HK\$5,536,000 for the outstanding payment for 6 completed construction projects. Subsequently, the parties to the 1st Action and the 2nd Action consented to and an order was made by the court that the proceedings under the 1st Action and the 2nd Action be consolidated and carried on as an action.

During the six months ended 30 September 2020, there is no further update on the progress of the litigation.

The Directors have fully considered factors including the nature of claims, costs of litigation and potential impact on the unaudited condensed consolidated financial statements and engaged an external lawyer to consider and assess the litigation strategies and defenses, as well as its impact on the Group. The Directors are of the opinion that the Group has valid grounds to deny the allegations made by the plaintiff and to counterclaim against W.M. Contractor and W.M. Construction. Accordingly, no provision is required to be made in the unaudited condensed consolidated financial statements.

The Company will make further disclosure as and when necessary or appropriate based on the progress of the litigation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a Hong Kong-based subcontractor principally engaged in providing foundation works including excavation and lateral support works, pile cap works and pile construction, site formation works and other ancillary services such as road and drainage works for foundation projects in the private sector.

For the six months ended 30 September 2020, the Group recorded net profit of approximately HK\$0.3 million as compared to a net profit of approximately HK\$0.6 million for the corresponding period in 2019. The Directors consider that the decrease in net profit was mainly due to the decrease in revenue because of the economic downturn in Hong Kong brought upon by the outbreak of COVID-19 pandemic and the new construction projects being suspended as investors or owners of properties contemplate that the future economic environment would remain uncertain.

OUTLOOK

The Directors are of the view that the general outlook of the construction industry and the business environment in which the Group operates will remain challenging. The outbreak of COVID-19 pandemic since early 2020 has created economic uncertainty to Hong Kong and imposed negative impacts on the construction industry, including supply chain disruptions, workforce shortages due to illness and preventative quarantines, and work stoppages due to measures imposed by the government. Looking ahead, the Group will adhere to prudent financial management in project selection and cost control. The Group will continue to obtain additional qualifications and strengthen its financial resources to position itself to tender for suitable projects in the private sector as a subcontractor, and to improve its operational efficiency.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 42.1% from approximately HK\$188.9 million for the six months ended 30 September 2019 to approximately HK\$109.3 million for the six months ended 30 September 2020. Such decrease was mainly due to the economic downturn brought upon by the outbreak of COVID-19 pandemic, the construction works were suffered from (i) slow progress as a result from material and labour suppliers, (ii) delay of construction drawings approval by the government department due to limited services and special work arrangement, and (iii) suspension of new construction projects by investors or owners as mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS

Direct Costs

The Group's direct costs for the six months ended 30 September 2020 were approximately HK\$103.4 million, representing a decrease of approximately 40.7% from approximately HK\$174.4 million for the six months ended 30 September 2019. Such decrease was in line with the decrease in revenue for the same period.

Gross Profit and Gross Profit Margin

The Group's gross profit for the six months ended 30 September 2020 was approximately HK\$5.9 million as compared to gross profit for the six months ended 30 September 2019 of approximately HK\$14.6 million. The Group recorded a gross profit margin for the six months ended 30 September 2020 of approximately 5.4%, as compared to a gross profit margin of approximately 7.7% for the six months ended 30 September 2019. Such decrease was primarily due to the adoption of competitive project pricing in response to the intense market competition during the period to strengthen the Group's market position in the construction industry.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 September 2020 were approximately HK\$11.8 million, representing a decrease of approximately 8.8% from approximately HK\$13.0 million for the six months ended 30 September 2019, primarily as a result of cost-saving due to decrease in revenue.

Profit and Total Comprehensive Income for the Period Attributable to Owners of the Company

As a result of the foregoing, the Group recorded a net profit of approximately HK\$0.3 million for the six months ended 30 September 2020 as compared to a net profit of approximately HK\$0.6 million for the same period in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The shares of the Company (the “Shares”) were successfully listed on the Main Board of the Stock Exchange on 28 December 2017. There has been no change in the capital structure of the Group since then. The capital of the Group comprises of ordinary shares only.

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from shareholders.

As at 30 September 2020, the Group had bank balances of approximately HK\$3.8 million (31 March 2020: approximately HK\$5.2 million).

As at 30 September 2020, the Group’s total equity attributable to owners of the Company amounted to approximately HK\$105.5 million (31 March 2020: approximately HK\$105.1 million). As of the same date, the Group’s total debt amounted to approximately HK\$123.7 million (31 March 2020: approximately HK\$155.8 million).

BORROWINGS AND GEARING RATIO

As at 30 September 2020, the Group had borrowings of approximately HK\$44.6 million which were denominated in Hong Kong dollars (31 March 2020: approximately HK\$41.1 million). The Group’s bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 30 September 2020, the gearing ratio of the Group, calculated as the total debt divided by the total equity, was approximately 117.3% (31 March 2020: approximately 148.1%).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this report, there was no significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures by the Company during the six months ended 30 September 2020. There was no other plans for material investments or capital assets as at 30 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON GROUP ASSETS

As at 30 September 2020, the Group had pledged its machineries and construction equipment with an aggregate net book value of approximately HK\$38.0 million (31 March 2020: approximately HK\$41.1 million) and motor vehicles with an aggregate net book value of approximately HK\$0.9 million (31 March 2020: approximately HK\$1.4 million) to the banks to secure the short-term bank loans and other general banking facilities granted to the Group.

As at 30 September 2020, payment for life insurance policy of approximately HK\$3.8 million was pledged to a bank to secure the banking facilities granted to the Group (31 March 2020: approximately HK\$3.8 million).

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations and borrowings of the Group were mainly transacted in Hong Kong dollars which is the presentation currency of the Group. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any material contingent liabilities (31 March 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

As at 30 September 2020, the Group had no material capital commitments in respect of acquisition of property and equipment (31 March 2020: Nil).

SEGMENT INFORMATION

The Group principally operated in one business segment, which is contractors in the foundation and site formation industry.

INFORMATION ON EMPLOYEES

As at 30 September 2020, the Group had 125 full-time employees working in Hong Kong (as at 31 March 2020: 118). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees. The total staff cost (including Director's emoluments and mandatory provident funds contributions) for the six months ended 30 September 2020 amounted to approximately HK\$28.6 million (for the six months ended 30 September 2019: approximately HK\$29.5 million).

DIVIDENDS

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

OTHER INFORMATION

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

As at 30 September 2020, the following Directors or chief executives of the Company had or was deemed to have interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) (i) 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long Position in Shares and underlying Shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares held/ Interested	Approximate percentage of shareholding
Mr. Lee Kim Ming (<i>Note 1</i>)	Interested in a controlled corporation	532,910,000	66.61%
Mr. Chan Siu Hung (<i>Note 2</i>)	Interested in a controlled corporation	57,090,000	7.14%

Notes:

- (1) Mr. Lee Kim Ming ("**Mr. Lee**") legally and beneficially owns the entire issued share capital of Simple Joy Investments Limited ("**Simple Joy**"). Therefore, Mr. Lee is deemed, or taken to be, interested in all the Shares held by Simple Joy for the purpose of the SFO. Mr. Lee is the sole director of Simple Joy.
- (2) Mr. Chan Siu Hung ("**Mr. Chan**") legally and beneficially owns the entire issued share capital of Simply Marvel Limited ("**Simply Marvel**"). Therefore, Mr. Chan is deemed, or taken to be, interested in all the Shares held by Simply Marvel for the purpose of the SFO. Mr. Chan is the sole director of Simply Marvel.

Save as disclosed above, as at 30 September 2020, none of the Directors or chief executives of the Company had registered an interest or short position in any Shares, underlying Shares or debentures of the Company or any of its associated corporation (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 interest and short positions which he was taken or deemed to have under provision 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.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to the Directors, as at 30 September 2020, the following persons/entities (not being Directors or chief executives of the Company) had, or were deemed to have, interests or shorts positions in the Shares, underlying Shares or debentures of the Company 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 which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Long Positions in Shares and underlying Shares of the Company

Name	Capacity/ Nature of interest	Number of Shares held/ interested	Approximate percentage of shareholding
Simple Joy	Beneficial owner	532,910,000	66.61%
Ms. Yeung Yuen Man (<i>Note 1</i>)	Interest of spouse	532,910,000	66.61%
Simply Marvel	Beneficial owner	57,090,000	7.14%
Ms. Fu Jingyan (<i>Note 2</i>)	Interest of spouse	57,090,000	7.14%

Notes:

- (1) Ms. Yeung Yuen Man ("**Ms. Yeung**") is the spouse of Mr. Lee. Under the SFO, Ms. Yeung is deemed to be interested in the same number of Shares in which Mr. Lee is interested.
- (2) Ms. Fu Jingyan ("**Ms. Fu**") is the spouse of Mr. Chan. Under the SFO, Ms. Fu is deemed to be interested in the same number of Shares in which Mr. Chan is interested.

Save as disclosed above, as at 30 September 2020, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had any interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2020.

COMPETING BUSINESS

During the six months ended 30 September 2020, none of the Directors or the controlling shareholders of the Company (the "**Controlling Shareholders**") and their respective associates (as defined in the Listing Rules) had any interests in a business, apart from the business of the Group, which competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Lee and Simple Joy (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the deed of non-competition (the "**Deed of Non-competition**") with the Company (for itself and for the benefit of each other member of the Group) on 4 December 2017. Pursuant to the Deed of Non-competition, the Covenantors have irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

OTHER INFORMATION

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

During the six months ended 30 September 2020, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code and its code of conduct during the six months ended 30 September 2020.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted, pursuant to a resolution passed on 4 December 2017, for the primary purpose of providing additional incentive to employees (full-time and part-time), the Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years.

Pursuant to the Scheme, the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Scheme, and other schemes offered by the Company, as from the date of adoption of the Scheme, shall not exceed 10% of the Shares in issue on the listing date (i.e. 800,000,000 Shares). The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme, and other schemes offered by the Company, shall not exceed 30% of the issued share capital of the Company from time to time. The total number of shares issued, and to be issued, upon exercise of options granted in accordance with the Scheme to each eligible participant in any 12-month period shall not exceed 1% of the issued share capital of the Company. The option shall remain open for acceptance by the eligible participant for a period of 7 days (inclusive of the date on which such offer is made). HK\$1 shall be payable by the participants on acceptance of the offer of the option.

OTHER INFORMATION

The exercisable period of the share options granted is determinable by the Board, but no later than 10 years from the date of grant of the options. The subscription price for the Shares in respect of which options are granted is determinable by the Board, but shall be no less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a business day; (ii) the average closing price of the Company's Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Company's share on the date of grant of the option.

For the six months ended 30 September 2020, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the Scheme.

CORPORATE GOVERNANCE PRACTICE

The Company and the Board are devoted to achieve and maintain the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhance the shareholder value and safeguard interest of the shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles that emphasise on a quality Board, effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders.

The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules. In the opinion of the Board, the Company has complied with the CG Code during the six months ended 30 September 2020 and up to date of this report.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 4 December 2017. The chairman of the Audit Committee is Mr. Ho Chun Chung Patrick, the independent non-executive Director, and other members included Mr. Chong Kam Fung and Mr. Shi Wai Lim William ("**Mr. Shi**"), the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

OTHER INFORMATION

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2020 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

EVENTS AFTER REPORTING PERIOD

On 2 November 2020, Mr. Han Zhenghai was appointed as the executive Director and Ms. Leung Lai Ming ("**Ms. Leung**") was appointed as the joint company secretary of the Company. Ms. Leung, together with Ms. Ng Hoi Ying, serve as joint company secretaries of the Company. Further details of the appointments of executive Director and joint company secretary are disclosed in the Company's announcement dated 2 November 2020.

Save as disclosed above and in this report, there is no other important event affecting the Group since 30 September 2020 and up to date of this report.

UPDATE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information since the disclosure made in the Company's annual report 2020 are set out as below:

Mr. Shi, the independent non-executive Director, was appointed as an executive director and authorised representative of GOLD-FINANCE HOLDINGS LIMITED, a company listed on the Main Board of the Stock Exchange (stock code: 1462) with effect from 5 November 2020. The rest of Mr. Shi's profile as stated in the Company's annual report 2020 remains unchanged.

OTHER INFORMATION

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement and the interim report are published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.lingyui.com.hk. The interim report of the Company for the six months ended 30 September 2020 will be dispatched to the shareholders of the Company. Should the shareholders of the Company have any difficulties in accessing the corporate communications electronically, please request the printed interim report, free of charge, at any time by writing to the Company or the Company's branch share registrar, Tricor Investor Services Limited.

By order of the Board
Ling Yui Holdings Limited
Lee Kim Ming
Chairman and Executive Director

Hong Kong, 26 November 2020

As at the date of this report, the Board comprises Mr. Lee Kim Ming, Mr. Chan Siu Hung and Mr. Han Zhenghai as executive Directors; Mr. Chong Kam Fung, Mr. Ho Chun Chung Patrick and Mr. Shi Wai Lim William as independent non-executive Directors.