



Sang Hing Holdings (International) Limited 生興控股(國際)有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 1472



Interim Report
2020



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lai Wai (*Chairman*)

Mr. Lai Ying Wah

Mr. Lai Ying Keung

Non-executive Director

Mr. Fung Chi Kin

Independent non-executive Directors

Mr. Cheung Wai Kwok Gary

Prof. Leung Yee Tak

Mr. Zhang Senquan

Mr. Ho Tai Tung

Ms. Tsang Wing Kiu

AUDIT COMMITTEE

Mr. Zhang Senquan (*Chairman*)

Mr. Cheung Wai Kwok Gary

Prof. Leung Yee Tak

Mr. Ho Tai Tung

Ms. Tsang Wing Kiu

REMUNERATION COMMITTEE

Mr. Cheung Wai Kwok Gary (*Chairman*)

Mr. Zhang Senquan

Mr. Ho Tai Tung

Ms. Tsang Wing Kiu

NOMINATION COMMITTEE

Mr. Lai Wai (*Chairman*)

Prof. Leung Yee Tak

Mr. Ho Tai Tung

Ms. Tsang Wing Kiu

SUSTAINABLE DEVELOPMENT COMMITTEE

Mr. Fung Chi Kin (*Chairman*)

Prof. Leung Yee Tak

Mr. Zhang Senquan

Ms. Tsang Wing Kiu

INVESTMENT COMMITTEE

Mr. Lai Wai (*Chairman*)

Mr. Au Chun Wing

Mr. Shum Tsz Yeung

COMPANY SECRETARY

Ms. Chang Kam Lai

AUTHORISED REPRESENTATIVES

Mr. Lai Wai

Ms. Chang Kam Lai

COMPLIANCE ADVISER

Cinda International Capital Limited

45/F, Cosco Tower

183 Queen's Road Central

Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 215A-B, 2/F
Central Services Building
Nan Fung Industrial City
No. 18 Tin Hau Road
Tuen Mun, New Territories
Hong Kong

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

LEGAL ADVISER

As to Hong Kong law
O Tse & Co.

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Bank of Communications
(Hong Kong) Limited
Industrial and Commercial Bank of China
(Asia) Limited
Bank of China (Hong Kong) Limited

COMPANY WEBSITE

www.sang-hing.com.hk

STOCK CODE

1472

Financial Highlights

Six months ended
30 September

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	Decrease %
Revenue	236,394	272,162	13.1
EBITDA	28,113	34,005	17.3
Profit before tax	23,732	28,803	17.6
Profit for the period attributable to owners of the Company	19,668	24,290	19.0
Earnings per share attributable to owners of the Company Basic and diluted (<i>HK cents</i>)	1.97	3.24	0.4

EBITDA is defined as profit before finance costs, taxation, depreciation and listing expenses.

Management Discussion and Analysis

The board (the “**Board**”) of directors (the “**Directors**”) of Sang Hing Holdings (International) Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2020, together with the comparative figures for the six months ended 30 September 2019.

BUSINESS REVIEW AND FINANCIAL RESULTS

The Group is an established main contractor with over 20 years of experience specialising in a variety of civil engineering works, including site formation, road and bridge construction, drainage and sewerage construction, watermain installation and slope works in Hong Kong. We are a Group C contractor under the “Site Formation” and “Roads and Drainage” categories with confirmed status and are qualified to tender for public works contracts of any values exceeding HK\$300 million.

For the six months ended 30 September 2020, the Group’s revenue was approximately HK\$236.4 million (2019: approximately HK\$272.2 million), a decrease of 13.1% as compared with the same corresponding period in 2019. The profit attributable to owners of the Company for the six months ended 30 September 2020 was approximately HK\$19.7 million while the profit for the six months ended 30 September 2019 was approximately HK\$24.3 million, representing a decrease of 19.0%, which was mainly due to decrease in revenue from civil engineering works of Projects W49 and W52 and increase in administrative expenses during the period.

Management Discussion and Analysis

Analysis of revenue of each project during the six months ended 30 September 2020 was as follows:

Project Code	Type of works	Location	2020 HK\$'000	2019 HK\$'000
On-going projects				
W49	Construction of sewers and sewerage system	Tuen Mun District	6,208	50,608
W52	Remaining works of cycle tracks	North District and Tuen Mun District	39,398	70,679
W54	Temporary construction waste sorting facilities	Sai Kung District and Tuen Mun District	242	18,472
W55	Development of columbarium and infrastructural works	North District	56,295	18,637
W56	Land decontamination and advance engineering works	North District	100,177	111,940
W57	Development of Long Valley Nature Park	North District	33,219	–
Projects completed or substantially completed				
W46	Construction of sewage pumping station and associated sewage works	Tuen Mun District	855	–
W53	Construction of taxiway and connection works	Island District	–	1,826
Total revenue			236,394	272,162

During the six months ended 30 September 2020, we recognised revenue from 7 projects in total, of which one project was completed. In December 2019, we were awarded a new site formation works project, Project W57, by CEDD. The revenue for the six months ended 30 September 2020 was decreased as compared with the same corresponding period in last year due to decrease in revenue from Project W49 and W52 in which work progress of Project W49 was substantially completed during the period.

Management Discussion and Analysis

The gross profit margin for the six months ended 30 September 2020 was 10.3% (2019: 12.1%). Decrease in gross profit margin as compared with the same corresponding period in last year was due to lower profit margin works and orders performed by Projects W49, W52 and W55.

Other income and net gain for the six months ended 30 September 2020 was amounting to approximately HK\$10.6 million (2019: approximately HK\$2.5 million), representing an increase of 319.7% as compared with the same corresponding period in last year, which was due to increase in government and other subsidies amounting to approximately HK\$5.6 million and net gain on disposals of financial assets at fair value through profit or loss amounting to approximately HK\$4.1 million. During the period, government and other subsidies were mainly received from Employment Support Scheme and net gain on disposals of financial assets at fair value through profit or loss was derived from trading of equity securities listed in Hong Kong. As at 30 September 2020, the Group did not hold any financial assets at fair value through profit or loss or available-for-sale investments.

Administrative and operating expenses for the six months ended 30 September 2020 were amounting to approximately HK\$11.4 million (2019: approximately HK\$4.4 million), representing an increase of 161.6% as compared with the same corresponding period in last year, which was mainly due to increase in staff costs and other listing related expenses. During the period, increase in staff costs was mainly due to increase in director's remunerations and payment of one-off bonuses to our staff.

As at 30 September 2020, prepayments, deposit and other receivables mainly represented amounts paid for insurance and subcontracting fee prepayments, deposits for material purchases, deposits for rental and utilities, deposits for acquisition of plant and machinery and other receivables. During the period, prepayments, deposits and other receivables increased by HK\$25.3 million which was mainly due to increase in subcontracting fee prepayments and deposits for acquisition of plant and machinery. Since the progress of the Project W55 and W56 were accelerated in the second quarter of 2020, its related contra charges paid on behalf of the subcontractors and subcontracting fee prepayments were increased in line with the accelerated progress.

Management Discussion and Analysis

OUTLOOK

Looking forwards, civil engineering works market in Hong Kong is mainly driven by the ongoing and planned major infrastructure projects. We expect that the Government budget of expenditure on infrastructure will increase in the forthcoming few years.

Among the 10 major infrastructure projects, we have secured the first site formation works project in Lok Ma Chau Loop, Project W56, where the Government has reserved HK\$20 billion for the first phase development of Hong Kong-Shenzhen Innovation and Technology Park and intends to develop a multi-functional area comprising commercial, community and conservation land users, according to the Hong Kong Government's development plan.

We cautiously optimistic expect expenditure on infrastructure of the Hong Kong Government to continue to grow, which will benefit civil engineering works industry. The Group will capitalise its competitive advantages after listing to secure more projects, and to actively participate in bidding for works of the Hong Kong Government to achieve increase revenue. In additions, we will continue submitting tenders for civil engineering works in order to replenish the revenue from the substantial completed or completed projects. In the meantime, the Group will also explore various chances in construction industry to create greater value for shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The uses of cash of the Group are mainly for the financing of the operations and working capital requirements. The Group generally finances its operations with internally generated cash flows and banking facilities provided by its principal bankers. As at 30 September 2020, the Group had cash and cash equivalents of approximately HK\$104.9 million (31 March 2020: approximately HK\$172.2 million) and pledged bank deposits of approximately HK\$7.7 million (31 March 2020: approximately HK\$8.3 million). The decrease of approximately HK\$67.3 million in cash and cash equivalents was mainly attributable to the dividend paid of HK\$10.0 million, the acquisition of property, plant and equipment of approximately HK\$16.9 million and an increase in other receivables of approximately HK\$30.7 million primarily due to contra charges paid on behalf of and advance payment to the subcontractors. All of the bank balances were placed with banks in Hong Kong and are denominated in Hong Kong dollars. As at 30 September 2020, the Group had not experienced any liquidity problems in settling its payables in the normal course of business.

Management Discussion and Analysis

There has been no change in the capital structure of the Company during the six months ended 30 September 2020. The capital of the Company only comprises of ordinary shares. As at 30 September 2020, there was a total of 1,000,000,000 shares (31 March 2020: 1,000,000,000 shares) in issue.

GEARING RATIO

As at 30 September 2020, the Group's gearing ratio was approximately 0.4% (31 March 2020: approximately 0.5%). The gearing ratio is calculated by dividing lease liabilities by total equity and expressed as a percentage. With available bank balances and cash, the Directors are of the view that the Group has sufficient liquidity to satisfy the funding requirements.

TREASURY POLICY

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.

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations of the Group were denominated in Hong Kong dollars. There was no exposure to foreign exchange rate fluctuations. As such, no hedging or other arrangements was made by the Group during the six months ended 30 September 2020 and 2019.

SIGNIFICANT INVESTMENTS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 September 2020, the Group did not have any significant investments. Save as those disclosed in the prospectus of the Company dated 28 February 2020 (the "Prospectus"), the Group did not have other future plans for material investments or additions of capital assets.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 September 2020, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

PLEDGE OF ASSETS

As at 30 September 2020, the banking facilities of the Group were secured by its bank deposits of approximately HK\$7.7 million (31 March 2020: approximately HK\$8.3 million) and corporate guarantees executed by the Company. As at 30 September 2020, certain motor vehicles with carrying amounts of approximately HK\$289,000 (31 March 2020: approximately HK\$370,000) were held under finance leases.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any material contingent liabilities.

CAPITAL COMMITMENTS

As at 30 September 2020, the Group did not have any material capital commitments.

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2020, the Group had a total of 265 employees (31 March 2020: 274) who were directly employed by the Group in Hong Kong. The staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$43.2 million for the six months ended 30 September 2020 (2019: approximately HK\$42.1 million).

The remuneration package the Group offered to the employees includes salary, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. Share options are also available to the Group's employees. The Group provides various types of trainings to the employees and sponsor the employees to attend various training courses, including those on occupational health and safety in relation to the works. Such training courses include the internal training as well as courses organised by external parties such as the Construction Industry Council and the Occupational Safety and Health Council. The safety officers also provide training to the workers before commencement of works.

Management Discussion and Analysis

USE OF PROCEEDS

The net proceeds received by the Company from the placing and public offer of the Company's shares in March 2020 were approximately HK\$79.8 million after deducting the listing expenses of approximately HK\$45.2 million. As at 30 September 2020, the Group has utilised approximately HK\$33.2 million of the net proceeds. The unutilised portion of the net proceeds is placed in licensed banks in Hong Kong and will be utilised as stated in the Company's prospectus.

As at 30 September 2020, the net proceeds had been utilised as follows:

Intended use of net proceeds as stated in the Prospectus	Net proceeds available <i>HK\$ million</i>	Utilised amount as at 30 September 2020 <i>HK\$ million</i>	Unutilised amount as at 30 September 2020 <i>HK\$ million</i>
Acquisition of additional plant and machinery	58.3	16.5	41.8
Recruitment and retiring additional staff	3.4	0.5	2.9
Costs for upgrading information technology system	2.9	1.0	1.9
Additional working capital	15.2	15.2	–
Total	79.8	33.2	46.6

As disclosed above, the actual application of the net proceeds was slower than expected and such delay was mainly due to (i) the impact of the COVID-19 pandemic, which has caused delays in certain of our ongoing projects; (ii) delay of the projects due to inclement weather; (iii) delay in projects due to clients design changes and/or order in variations; (iv) the difficulty in recruiting suitable candidates; and (v) the delay in upgrading of the Group's information technology system. The balance of the unutilised proceeds is expected to be utilised in the coming two financial years.

Corporate Governance and Other Information

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the six months ended 30 September 2020, except for the following deviation:

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of the shareholders. Mr. Zhang Senquan, the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 4 September 2020 due to sickness.

COMPLIANCE WITH THE MODEL CODE FOR 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 its own code of conduct regarding securities transactions by the Directors and the Company’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company’s securities.

The Company has made specific enquiries to all the Directors and all the Directors have confirmed their compliance with the Model Code during the six months ended 30 September 2020. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the six months ended 30 September 2020.

Corporate Governance and Other Information

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors subsequent to the date of the 2020 annual report of the Company are set out below:

- (i) An investment committee has been established on 14 July 2020. Mr. Lai Wai was appointed as the chairman of the investment committee and Mr. Au Chun Wing, the chief executive officer of the Company, was appointed as a member of the investment committee.
- (ii) Mr. Fung Chi Kin resigned as an independent non-executive director of Geotech Holdings Ltd. (a company listed on the main board of the Stock Exchange, stock code: 1707) with effect from 1 August 2020.

Save as disclosed above, there is no other information regarding the Directors or chief executives of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

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

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of 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")), which have been 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 he/she was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long position in the issued ordinary shares of the Company (the "Shares")

Name of Director	Capacity/ Nature of interest	Number of Shares held	Percentage of shareholding in the Company
Mr. Lai Wai	Interest in a controlled corporation <i>(Note 1)</i>	600,000,000	60.0%
Mr. Lai Ying Wah	Interest in a controlled corporation <i>(Note 2)</i>	75,000,000	7.5%
Mr. Lai Ying Keung	Interest in a controlled corporation <i>(Note 3)</i>	75,000,000	7.5%
Mr. Fung Chi Kin	Beneficial owner	1,000,000	0.1%

Corporate Governance and Other Information

Notes:

1. Mr. Lai Wai directly holds the entire issued share capital of Worldwide Intelligence Group Limited ("**Worldwide Intelligence**") and is therefore deemed to be interested in the same number of Shares in which Worldwide Intelligence is interested.
2. Mr. Lai Ying Wah directly holds the entire issued share capital of Pride Success Development Corporation ("**Pride Success**") and is therefore deemed to be interested in the same number of Shares in which Pride Success is interested.
3. Mr. Lai Ying Keung directly holds the entire issued share capital of United Progress Holdings Corporation ("**United Progress**") and is therefore deemed to be interested in the same number of Shares in which United Progress is interested.

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

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Capacity/ Nature of interest</u>	<u>Number of shares held</u>	<u>Percentage of shareholding</u>
Mr. Lai Wai	Worldwide Intelligence	Beneficial owner	1	100%
Mr. Lai Ying Wah	Pride Success	Beneficial owner	1	100%
Mr. Lai Ying Keung	United Progress	Beneficial owner	1	100%

Save as disclosed above, as at 30 September 2020, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), 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 he/she was taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 30 September 2020, the following person (other than the Directors or chief executive of the Company the interests of which were disclosed above) or corporation had interest or short position in the Shares which were required to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or were recorded in the register of the Company required to be kept pursuant to section 336 of the SFO:

Long positions in the Shares

Name of substantial shareholder	Capacity/ Nature of interest	Number of Shares held	Percentage of shareholding in the Company
Worldwide Intelligence	Beneficial owner	600,000,000	60.0%
Pride Success	Beneficial owner	75,000,000	7.5%
United Progress	Beneficial owner	75,000,000	7.5%
Ms. Dun Xin Chun <i>(Note 1)</i>	Interest of spouse	600,000,000	60.0%
Ms. Law Oi Fong Grace <i>(Note 2)</i>	Interest of spouse	75,000,000	7.5%
Ms. Chan Lai Fong <i>(Note 3)</i>	Interest of spouse	75,000,000	7.5%

Corporate Governance and Other Information

Notes:

1. Ms. Dun Xin Chun is cohabiting with Mr. Lai Wai as spouse. By virtue of the SFO, Ms. Dun Xin Chun is deemed, or taken to be, interested in all the Shares in which Mr. Lai Wai is deemed to be interested.
2. Ms. Law Oi Fong Grace is the spouse of Mr. Lai Ying Wah. By virtue of the SFO, Ms. Law Oi Fong Grace is deemed, or taken to be, interested in all the Shares in which Mr. Lai Ying Wah is deemed to be interested.
3. Ms. Chan Lai Fong is the spouse of Mr. Lai Ying Keung. By virtue of the SFO, Ms. Chan Lai Fong is deemed, or taken to be, interested in all the Shares in which Mr. Lai Ying Keung is deemed to be interested.

Save as disclosed above, as at 30 September 2020, the Directors were not aware of any person (other than the Directors and the chief executive of the Company) who has an interest or short position in the Shares or underlying Shares which were required 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 recorded in the register of the Company required to be kept pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 29 January 2020.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the date of its adoption and there was no share option outstanding as at 30 September 2020.

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

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance and Other Information

AUDIT COMMITTEE

The Audit Committee consists of five members, namely, Mr. Cheung Wai Kwok Gary, Prof. Leung Yee Tak, Mr. Zhang Senquan, Mr. Ho Tai Tung and Ms. Tsang Wing Kiu, all being independent non-executive Directors. Mr. Zhang Senquan is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2020. The Audit Committee is of the view that the applicable accounting standards and requirements have been complied with by the Company and that appropriate disclosure have been made.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2020

	Note	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	236,394	272,162
Cost of services		(211,858)	(239,224)
Gross profit		24,536	32,938
Other income and net gain	5	10,631	2,533
Administrative and operating expenses		(11,403)	(4,359)
Listing expenses		–	(2,254)
Profit from operations		23,764	28,858
Finance costs	6	(32)	(55)
Profit before tax	7	23,732	28,803
Income tax	8	(4,064)	(4,513)
Profit and total comprehensive income for the period		19,668	24,290
Profit and total comprehensive income for the period attributable to owners of the Company		19,668	24,290
Earnings per share attributable to owners of the Company			
Basic and diluted (<i>HK cents</i>)	9	1.97	3.24

Condensed Consolidated Statement of Financial Position

At 30 September 2020

	Note	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	37,275	24,426
Right-of-use assets		1,293	1,634
Contract assets	13	650	2,293
Deposit paid		–	1,300
		39,218	29,653
Current assets			
Trade receivables	12	21,035	40,241
Contract assets	13	89,733	47,438
Prepayments, deposits and other receivables	14	95,057	69,685
Tax recoverable		–	594
Pledged bank deposits		7,702	8,305
Cash and cash equivalents		104,933	172,214
		318,460	338,477
Current liabilities			
Trade and retention payables	15	40,679	55,062
Other payables and accruals	16	8,450	14,629
Contract liabilities		4,709	4,636
Tax payables		728	–
Lease liabilities		904	1,059
		55,470	75,386
Net current assets		262,990	263,091
Total assets less current liabilities		302,208	292,744

Condensed Consolidated Statement of Financial Position

At 30 September 2020

	As at 30 September 2020	As at 31 March 2020
Note	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current liabilities		
Deferred tax liabilities	2,923	2,912
Lease liabilities	235	450
	3,158	3,362
Net assets	299,050	289,382
Capital and reserves		
Share capital	10,000	10,000
Reserves	289,050	279,382
	299,050	289,382
Total equity attributable to owners of the Company	299,050	289,382

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note)	Retained profits HK\$'000	Total equity HK\$'000
At 1 April 2019 (audited)	–*	–	21,149	128,224	149,373
Profit and total comprehensive income for the period	–	–	–	24,290	24,290
At 30 September 2019 (unaudited)	–*	–	21,149	152,514	173,663
At 1 April 2020 (audited)	10,000	91,979	21,149	166,254	289,382
Profit and total comprehensive income for the period	–	–	–	19,668	19,668
Dividend declared and paid	–	(10,000)	–	–	(10,000)
At 30 September 2020 (unaudited)	10,000	81,979	21,149	185,922	299,050

note: Other reserve represented the difference between the Group's share of nominal values of the paid-up capital of the subsidiary acquired over the Group's cost of acquisition of the subsidiary under common control upon the reorganisation.

* The balance represents an amount less than HK\$1,000.

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)
Operating activities		
Profit before tax	23,732	28,803
Adjustments for:		
Depreciation of property, plant and equipment	4,008	2,069
Depreciation of right-of-use assets	341	824
Bank interest income	(362)	(339)
Finance costs	32	55
Gain on modification of lease	–	(3)
Net gain on disposal of financial assets at fair value through profit or loss	(4,089)	–
Gain on disposal of property, plant and equipment	(20)	–
Allowance for expected credit losses on other receivables	204	–
Operating cash inflow before movements in working capital	23,846	31,409
Decrease/(increase) in trade receivables	19,206	(7,479)
(Increase)/decrease in contract assets	(40,652)	8,564
Increase in prepayments, deposits and other receivables	(24,276)	(9,772)
(Decrease)/increase in trade and retention payables	(14,383)	9,148
Decrease in other payables and accruals	(6,179)	(1,519)
Increase in contract liabilities	73	–
Cash (used in)/generated from operations	(42,365)	30,351
Hong Kong tax paid	(2,731)	(6,797)
Net cash (used in)/generated from operating activities	(45,096)	23,554

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

Six months ended
30 September

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Investing activities		
Interest received	362	339
Purchases of property, plant and equipment	(16,857)	(5,195)
Proceeds on disposal of property, plant and equipment	20	–
Purchases of financial assets at fair value through profit or loss	(21,547)	–
Proceeds from disposal of financial assets at fair value through profit or loss	25,636	–
Withdrawal/(placement) of pledged bank deposits	603	(29)
Net cash used in investing activities	(11,783)	(4,885)
Financing activities		
Dividend paid	(10,000)	(10,000)
Repayment of lease liabilities	(370)	(1,060)
Interest paid	(32)	(55)
Net cash used in financing activities	(10,402)	(11,115)
Net (decrease)/increase in cash and cash equivalents	(67,281)	7,554
Cash and cash equivalents at the beginning of the period	172,214	101,210
Cash and cash equivalents at the end of the period	104,933	108,764
Analysis of balances of cash and cash equivalents		
Cash and bank balances	104,933	108,764

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 25 June 2018 and its shares have been listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 March 2020 by way of share offer at a price of HK\$0.5 each upon Listing (the “**Share Offer**”). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 215A-B, 2/F, Central Services Building, Nan Fung Industrial City, No. 18 Tin Hau Road, Tuen Mun, New Territories, Hong Kong, respectively.

The Company’s immediate and ultimate holding company is Worldwide Intelligence Group Limited (“**Worldwide Intelligence**”), a company incorporated in the British Virgin Islands. Worldwide Intelligence is controlled by Mr. Lai Wai who is the chairman and executive director of the Company. Worldwide Intelligence and Mr. Lai Wai are referred to as the controlling shareholders of the Company.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are provision of civil engineering works service and related services.

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company. All values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have 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**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31 March 2020.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

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

The application of the Amendments to References to the Conceptual Framework in HKFRS and the amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

3. REVENUE

The Group's revenue represents the amount received and receivable for revenue arising on civil engineering works services and related services which is recognised over time.

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue from civil engineering works	236,394	272,162

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

4. SEGMENT INFORMATION

(i) Operating segment information

The Group's most senior executive management has been identified as the executive directors who review the Group's internal reporting in order to assess performance and allocate resources. The Group's most senior executive management has determined the operating segments based on these reports.

The Group's most senior executive management assesses the performance based on a measure of profit after income tax and considers all businesses to be included in a single operating segment.

The Group is principally engaged in the business of civil engineering works services and related services in Hong Kong. Information reported to the Group's most senior executive management for the purpose of resources allocation and performance assessment, focuses on the operating result of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating and geographical segment information is presented.

(ii) Information about major customers

Revenue from customers during the six months ended 30 September 2020 and 2019 contributing individually over 10% of the Group's revenue is as follows:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A	230,186	218,228
Customer B	—*	52,108

* Revenue from the relevant customers was less than 10% of the Group's total revenue for the respective period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

5. OTHER INCOME AND NET GAIN

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	362	339
Government and other subsidies	5,577	657
Compensation from insurance	–	447
Income from supplying construction materials, labour and others	410	610
Management fee income	156	477
Gain on modification of lease	–	3
Net gain on disposal of financial assets at fair value through profit or loss	4,089	–
Gain on disposal of property, plant and equipment	20	–
Sundry income	17	–
	10,631	2,533

6. FINANCE COSTS

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on bank overdrafts	2	1
Interest on lease liabilities	30	54
	32	55

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Auditor's remuneration (note (a))	600	100
Listing expenses	–	2,254
Depreciation		
– Depreciation of property, plant and equipment	4,008	2,069
– Depreciation of right-of-use assets	341	824
Less: amounts included in cost of services	(3,104)	(2,360)
	1,245	533
Staff costs (excluding directors' remuneration)		
– Wages, salaries, allowance and bonus	39,779	40,282
– Retirement benefits schemes contributions	1,443	1,483
	41,222	41,765
Less: amounts included in cost of services	(36,540)	(39,361)
	4,682	2,404
Allowance for expected credit losses on other receivables	204	–
Short-term lease expenses	215	153

note: (a) Exclude services for the listing of the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

8. INCOME TAX

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the British Virgin Islands as they are not subject to any tax during the period.

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) of the estimated assessable profits arising in Hong Kong during the period.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Provision for Hong Kong profits tax:		
– Current tax	4,053	4,493
Deferred tax	11	20
Total tax charge for the period	4,064	4,513

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period of approximately HK\$19,668,000 (2019: approximately HK\$24,290,000) and the weighted average number of ordinary shares of the Company in issue during the periods is calculated as follows:

	Six months ended 30 September	
	2020 (Unaudited)	2019 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,000,000,000	750,000,000

The weighted average number of ordinary shares used in the calculation of basic earnings per share for the six months ended 30 September 2019 has been determined on the assumption that 750,000,000 ordinary shares had been in issue, comprising 100 ordinary shares issued under the Reorganisation and 749,999,900 ordinary shares issued pursuant to the capitalisation issue which took place upon the completion of the Share Offer, which were assumed to occur at 1 April 2019.

No diluted earnings per share is presented as there was no potential dilutive ordinary shares in issue during both periods.

10. DIVIDENDS

During the six months ended 30 September 2020, a final dividend of HK\$0.01 per ordinary share, in respect of the year ended 31 March 2020 (2019: Nil) has been declared and paid out of share premium account of the Company.

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

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired property, plant and equipment at a total cost of approximately HK\$16,857,000 (2019: approximately HK\$5,195,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

12. TRADE RECEIVABLES

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Trade receivables	21,035	40,241

The average credit period on construction works is 30 days.

An aging analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
0-30 days	21,035	40,241

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. The trade receivables are assessed individually for impairment allowance based on the Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The Group has assessed that the rate of expected credit loss for trade receivables was insignificant, thus, no impairment loss in respect of trade receivables was provided as at 30 September 2020 and 31 March 2020.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

13. CONTRACT ASSETS

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Unbilled receivables (note (i))	77,855	39,542
Retention receivables (note (ii))	12,528	10,189
	90,383	49,731
Less: Non-current portion of retention receivables	(650)	(2,293)
	89,733	47,438

note:

- (i) Unbilled receivables included in contract assets represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.
- (ii) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over the maintenance period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically after the expiry date of the maintenance period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Prepayments	9,032	15,766
Deposits	2,900	2,758
Other receivables (<i>note (a)</i>)	81,969	51,297
Amount due from other joint operator of a joint operation (<i>note (b)</i>)	1,686	190
	95,587	70,011
Less: Allowance for expected credit losses	(530)	(326)
	95,057	69,685

note:

- (a) Other receivables mainly represented contra charges paid on behalf of and advance payment to the subcontractors.
- (b) The amount due from other joint operator of a joint operation is unsecured, interest-free and recoverable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

15. TRADE AND RETENTION PAYABLES

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Trade payables	33,148	47,312
Retention payables	7,531	7,750
	40,679	55,062

The credit period on trade payables is up to 60 days. Aging analysis of trade payables at the end of each reporting period, based on invoice dates, is as follows:

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
0-30 days	11,244	14,895
31-60 days	5,936	21,586
61-90 days	4,203	6,025
Over 90 days	11,765	4,806
	33,148	47,312

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

16. OTHER PAYABLES AND ACCRUALS

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Other payables and accruals	2,153	8,150
Accrued staff costs	5,797	5,979
Employee benefit obligations	500	500
	8,450	14,629

17. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2019 (audited)	38,000,000	380
Increasing authorised share capital (note (i))	9,962,000,000	99,620
At 31 March 2020 (audited) and 30 September 2020 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2019 (audited)	100	—*
Capitalisation issue (note (ii))	749,999,900	7,500
Issue of new shares under Share Offer (note (iii))	250,000,000	2,500
At 31 March 2020 (audited) and 30 September 2020 (unaudited)	1,000,000,000	10,000

* The balance represents an amount less than HK\$1,000.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

17. SHARE CAPITAL (Continued)

note:

- (i) On 29 January 2020, the then shareholders of the Company resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$100,000,000 by the creation of 9,962,000,000 additional shares, each ranking pari passu with the shares of the Company then in issue in all respects.
- (ii) On 29 January 2020, the Company capitalised an amount of HK\$7,499,999 by issuing additional 749,999,900 shares, credited as fully paid, to the holder(s) of shares on the register of members of the Company at the close of business on 29 January 2020 (or as they may direct) in proportion to their shareholdings (save that no shareholder shall be entitled to be allotted and issued any fraction of a share).
- (iii) On 17 March 2020, 250,000,000 ordinary shares were issued at a price of HK\$0.5 each upon the listing of the shares of the Company on the Stock Exchange. The proceeds of HK\$2,500,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK\$99,479,000, net of the listing expenses directly attributable to the issuance of shares, were credited to the share premium account.

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- * Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- * Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- * Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

19. MATERIAL RELATED PARTIES TRANSACTIONS

Material related party transactions identified during the periods are summarised as follows:

a) Recurring transactions

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on lease liabilities to Mr. Lai Wai	4	8

b) Key management personnel remuneration

The emoluments of the directors and senior management of the Group, who represent the key management personnel during the periods are as follows:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Salaries, fees and allowances	3,270	2,270
Discretionary bonuses	90	–
Retirement benefit	56	44
	3,416	2,314