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SHEUNG YUE GROUP HOLDINGS LIMITED

上諭集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1633)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Sheung Yue Group Holdings Limited (the “**Company**”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2022 (the “**Period**”), together with the comparative figures for the corresponding period in 2021.

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

For the six months ended 30 September 2022

		Six months ended 30 September	
	<i>Notes</i>	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	5	149,647	113,019
Cost of services		(127,911)	(97,032)
Gross profit		21,736	15,987
Other income	5	5,478	2,170
Other net losses and gains	5	(7,343)	312
Administrative expenses		(11,816)	(12,131)
Profit from operation	6	8,055	6,338
Finance costs	7	(1,768)	(948)
Profit before taxation		6,287	5,390
Income tax	8	–	–
Profit and total comprehensive income for the period		6,287	5,390
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	10		
– Basic and diluted		0.92	0.79

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	11	84,661	63,244
Right-of-use assets	12	26,339	17,300
Financial asset at fair value through profit or loss	19	2,789	2,789
Rental deposit		520	520
Deposit paid for acquisition of machineries		–	6,280
		114,309	90,133
		114,309	90,133
Current assets			
Inventories		13,614	12,839
Contract assets	13	65,242	83,281
Trade and other receivables	14	80,846	76,468
Pledged bank deposits	15	–	11,238
Cash and cash equivalents	15	31,769	14,342
		191,471	198,168
		191,471	198,168
Current liabilities			
Trade and other payables	17	35,897	45,594
Lease liabilities		10,372	7,170
Bank loans	16	76,208	63,095
		122,477	115,859
		122,477	115,859
Net current assets		68,994	82,309
Total assets less current liabilities		183,303	172,442

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Lease liabilities		<u>10,754</u>	<u>6,180</u>
		<u>10,754</u>	<u>6,180</u>
NET ASSETS		<u>172,549</u>	<u>166,262</u>
Equity			
Share capital	18	6,848	6,848
Reserves		<u>165,701</u>	<u>159,414</u>
TOTAL EQUITY		<u>172,549</u>	<u>166,262</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company						
	Share capital	Share premium	Merger reserve	Capital reserve	Foreign exchange reserve	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April 2021 (audited)	6,848	98,111	10,010	3,446	244	36,411	155,070
Profit and total comprehensive income for the period	-	-	-	-	-	5,390	5,390
As at 30 September 2021 (unaudited)	6,848	98,111	10,010	3,446	244	41,801	160,460
As at 1 April 2022 (audited)	6,848	98,111	10,010	3,446	244	47,603	166,262
Profit and total comprehensive income for the period	-	-	-	-	-	6,287	6,287
As at 30 September 2022 (unaudited)	6,848	98,111	10,010	3,446	244	53,890	172,549

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Net cash generated from operating activities	<u>25,276</u>	<u>3,203</u>
Net cash used in investing activities	<u>(12,377)</u>	<u>(11,967)</u>
Net cash generated from financing activities	<u>4,528</u>	<u>1,469</u>
Net increase/(decrease) in cash and cash equivalents	17,427	(7,295)
Cash and cash equivalents at beginning of the period	<u>14,342</u>	<u>21,780</u>
Cash and cash equivalents at end of the period	<u><u>31,769</u></u>	<u><u>14,485</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 23 March 2016, as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Units 103-105, 1st Floor, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong.

The Company, an investment holding company, and its subsidiaries (together referred to as the “Group”) are principally engaged in the provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services in Hong Kong and Macau.

The unaudited condensed consolidated interim financial statements have neither been audited nor reviewed.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2022 have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The unaudited condensed consolidated interim financial statements of the Group are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated. Each entity in the Group maintains its books and records in its own functional currency.

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

The unaudited condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the consolidated financial statements for the year ended 31 March 2022. The unaudited condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of annual financial statements prepared in accordance with HKASs, Hong Kong Financial Reporting Standards and interpretations (collectively the “HKFRSs”) and should be read in conjunction with the consolidated financial statements for the year ended 31 March 2022.

3. PRINCIPAL ACCOUNTING POLICIES AND ADOPTION OF NEW AND REVISED HKFRSs

The accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 March 2022 except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 April 2022.

New and amended standards and interpretations adopted by the Group

Application of amendments to HKFRSs

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

4. SEGMENT INFORMATION

Operating segments

The chief operating decision maker (“CODM”) has been identified as the executive directors who review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM 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 was principally engaged in provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services in Hong Kong and Macau. Information reported to the Group’s CODM, for the purpose of resources allocation and performance assessment, focuses on the operating results 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 segment information is presented.

Geographical information

All of the Group’s revenue was derived from Hong Kong, based on the location of the customers, and all of its non-current assets were located in Hong Kong, based on the location of assets. Therefore, no geographical information is presented.

5. REVENUE, OTHER INCOME AND OTHER NET LOSSES AND GAINS

The Group's revenue represents amount received and receivable from contract work performed.

As at 30 September 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$211,362,000 (31 March 2022: HK\$340,665,000).

This amount represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 to 24 months.

An analysis of the Group's other income and other net losses and gains recognised during the respective periods are as follows:

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Interest income on		
– Bank deposits	<u>2</u>	<u>9</u>
Total interest income from financial assets that are not at fair value through profit or loss	2	9
Government subsidies	2,526	–
Rental income	2,491	1,855
Income from sale of scrap materials	–	12
Income from the staff outsourcing	459	–
Sundry income	<u>–</u>	<u>294</u>
	<u>5,478</u>	<u>2,170</u>
Other net losses and gains		
(Loss)/gain on disposal of property, plant, and equipment, net	(7)	133
(Allowance)/reversal of allowance for credit loss, net of recognised:		
– Trade and other receivables	(1,185)	(440)
– Contract assets	<u>(6,151)</u>	<u>619</u>
	<u>(7,343)</u>	<u>312</u>

6. PROFIT FROM OPERATION

The Group's profit from operation is arrived at after charging:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Depreciation		
– Owned property, plant and equipment	8,751	7,550
– Right-of-use assets	4,872	2,558
	<u>13,623</u>	<u>10,108</u>
Staff costs (included directors' remuneration)	30,063	21,183
Expenses related short term leases	11,515	1,045
	<u>11,515</u>	<u>1,045</u>

7. FINANCE COSTS

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on lease liabilities	404	370
Interest on bank overdrafts	17	4
Interest on bank loans	1,347	574
	<u>1,768</u>	<u>948</u>

8. INCOME TAX

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

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong profits tax – charge for the period	–	–
Income tax	–	–

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) Under the two-tiered profits tax rate regime of Hong Kong Profits Tax, the first HK\$2 million of profits of a 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 of the qualifying group entity 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.

For the six months ended 30 September 2022, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits of one of the subsidiaries of the Company and at 16.5% on the estimated assessable profits above HK\$2,000,000 of that subsidiary. The profits of other group entities not qualified for the two-tier profits tax regime will continue to be taxed at a flat rate of 16.5%.

As at 30 September 2022 and 2021, no tax is payable on the profit for the year since the assessable profit is wholly absorbed by tax losses brought forward.

- (iii) Macau Complementary Income Tax is calculated at 12% (six months ended 30 September 2021: 12%) of the estimated assessable profits for the six months ended 30 September 2022.

No Macau Complementary Income Tax has been provided since there were no assessable profit generated for the six months ended 30 September 2022 and 2021.

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	<u>6,287</u>	<u>5,390</u>
	2022 Number of shares '000 (Unaudited)	2021 Number of shares '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note</i>)	<u>684,750</u>	<u>684,750</u>

Note:

Weighted average number of ordinary shares for the six months ended 30 September 2022 and 2021 are based on the number of ordinary shares in issue throughout the period.

Diluted earnings per share is the same as the basic earnings per share as there was no dilutive potential ordinary shares during the respective periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group incurred capital expenditures of approximately HK\$28,820,000 in plant and machinery and approximately HK\$1,365,000 in motor vehicles (six months ended 30 September 2021: approximately HK\$16,818,000 in plant and machinery).

Items of property, plant and equipment with net book value amounting to approximately HK\$17,000 were disposed of during the six months ended 30 September 2022 (six months ended 30 September 2021: approximately HK\$667,000), resulting in a loss on disposal of approximately HK\$7,000 (six months ended 30 September 2021: gain on disposal of approximately HK\$133,000).

12. RIGHT-OF-USE ASSETS

The Group leases office and warehouse for its operations. Lease contracts are entered into for fixed term of 2 years to 3 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the six months ended 30 September 2022, the addition of right-of-use assets with underlying assets of properties leased for own use of the Group amounted to approximately HK\$3,579,000 and the addition of right-of-use assets with underlying assets of plant and machinery of the Group amounted to approximately HK\$10,332,000 (six months ended 30 September 2021: the addition of right-of-use assets with underlying assets of plant and machinery of the Group amounted to HK\$4,880,000).

13. CONTRACT ASSETS

The contract assets primarily relate to the Group's right to consideration for work completed and not billed as receipt of consideration is conditional on successful completion of work.

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Arising from performance under construction contracts	67,134	84,762
Less: allowance for credit loss	(1,892)	(1,481)
	<u>65,242</u>	<u>83,281</u>

Included in carrying amount of contract assets comprises retention receivables of approximately 29,193,000 as at 30 September 2022 (31 March 2022: approximately HK\$26,231,000).

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 a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

For retention receivables in respect of construction contracts, the due dates are usually 2 years after completion of the construction work. The amount of contract assets (net of allowance for credit losses) that is expected to be recovered after more than one year is approximately HK\$23,833,000 (31 March 2022: HK\$844,000), all of which relates to retention receivables.

During the six months ended 30 September 2022, the Group wrote off of approximately HK\$5,740,000 on contract assets in which the directors of the Company consider that it is not recovered.

14. TRADE AND OTHER RECEIVABLES

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Trade receivables (<i>note</i>)	13,139	20,975
Other receivables	65,925	52,106
Prepayments and deposits	2,302	10,187
	<hr/>	<hr/>
	81,366	83,268
Less: Non-current portion		
Rental Deposit	(520)	(520)
Deposit paid for acquisition of machineries	–	(6,280)
	<hr/>	<hr/>
Total current portion	<u>80,846</u>	<u>76,468</u>

Note:

Trade receivables were mainly derived from provision of foundation works, including piling construction, ELS works, pile cap construction, site formation and ancillary services, and are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

A credit period of less than 60 days since the issuance of invoice or payments received from main contractor is granted by the Group to its trade customers of contract work. Application for progress payments of contract works is made on a regular basis.

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
0-30 days	5,026	9,752
31-90 days	7,705	6,545
More than 90 days	408	4,678
	13,139	20,975

The directors do not consider the amounts as significant increase in credit risk with reference to the historical records, past experience and also available reasonable and supportive forward-looking information of these receivables, and the recurring overdue record of these receivables with satisfactory settlement history.

15. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Cash and bank balances	31,769	25,580
Less: pledged bank deposits	–	(11,238)
Cash and cash equivalents	31,769	14,342

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The Group has pledged its bank balances as securities for its banking facilities as at 31 March 2022.

16. BANK LOANS

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Secured bank loans	76,208	63,095
	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
The carrying amounts of the above bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	48,025	57,817
Within a period of more than one year but not exceeding two years	3,667	808
Within a period of more than two years but not exceeding five years	11,961	2,562
Within a period of more than 5 years	12,555	1,908
	76,208	63,095
Less: Amounts due within one year shown under current liabilities	(76,208)	(63,095)
Amounts shown under non-current liabilities	–	–

Bank loans with the aggregate carrying amount of approximately HK\$76,208,000 (31 March 2022: HK\$63,095,000) are secured by:

- (a) the Group's bank deposits amounting to nil (31 March 2022: HK\$11,238,000);
- (b) blanket counter indemnity from the Group;
- (c) properties of a related companies controlled by a director of the Company; and
- (d) individual guarantees executed by the directors of the Company.

Effective interest rates

The following table shows effective interest rate of the bank loans of the Group:

	30 September 2022 (Unaudited)		31 March 2022 (Audited)	
	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
	%	HK\$'000	%	HK\$'000
Floating rate:				
Bank loans	<u>4.680</u>	<u>76,208</u>	<u>3.066</u>	<u>63,095</u>

17. TRADE AND OTHER PAYABLES

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Trade payables (<i>note</i>)	18,026	22,843
Retention payables	10,111	14,240
Other payables and accruals	<u>7,760</u>	<u>8,511</u>
	<u>35,897</u>	<u>45,594</u>

Note:

An ageing analysis of trade payables, based on the invoice dates, is as follows:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
0-30 days	7,099	7,705
31-90 days	5,839	9,276
91-365 days	1,728	2,490
More than 365 days	<u>3,360</u>	<u>3,372</u>
	<u>18,026</u>	<u>22,843</u>

The Group's trade payables are non-interest bearing and generally have payment terms of 30 to 60 days.

18. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 March 2022 and 30 September 2022	2,000,000,000	20,000
	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 March 2022 and 30 September 2022	684,750,000	6,848
	<u>684,750,000</u>	<u>6,848</u>

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group's investment in a life insurance policy is measured at fair value at the end of reporting period. The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Fair value measurement using significant unobservable inputs (Level 3) HK\$'000
As at 30 September 2022 (unaudited)	
Financial assets at fair value through profit or loss	2,789
	<u>2,789</u>
As at 31 March 2022 (audited)	
Financial assets at fair value through profit or loss	2,789
	<u>2,789</u>

There were no changes in valuation techniques and no transfers between levels during the six months ended 30 September 2022.

20. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of Directors and other members of key management for the six months ended 30 September 2022 were approximately HK\$3,681,000 (six months ended 30 September 2021: approximately HK\$4,062,000).

21. CAPITAL COMMITMENTS

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statement	<u>–</u>	<u>24,220</u>

22. LITIGATION

At the end of the reporting period, there were three labour claims arising from the normal course of business being lodged against the Group and no specific claim amount has been specified in the application of the claims. In the opinion of the directors, the Group has sufficient insurance coverage to cover the losses, if any, arising from the claims and therefore the ultimate liability under the claims would not have a material adverse impact on the financial position or results of the Group.

23. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The directors of the Company consider the immediate and ultimate controlling party of the Group to be Creative Elite Global Limited, which was incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group was engaged in the provision of foundation works in Hong Kong and Macau. The scope of foundation works undertaken by us mainly includes piling construction, ELS works, pile cap construction, site formation and ancillary services (such as loading test and construction machinery leasing services).

As at 30 September 2022, there were eight projects on hand with total contract sum amounting to approximately HK\$329,169,000. Six projects are expected to be completed in the forthcoming financial year. Subsequent to the Period end, the Group was awarded two foundation projects with contract sum of approximately HK\$148,866,000.

FUTURE PROSPECTS

While the economy of Hong Kong is gradually recovering from COVID-19, the ongoing epidemic is still bringing uncertainties and challenges to the economy and the industry. Nonetheless, given the recent Hong Kong policy address demonstrating a continued efforts by the government to increase land and housing supply, the Board is prudently optimistic on the business outlook of the Group as the demand for foundation works will remain steady in Hong Kong. It is believed that the Group's positive financial performance for the Period will persist in the coming financial year. Going forward, the Group will continue to exercise due care in the pursuance of its existing core business, and will actively seek potential business opportunities to broaden the revenue stream and boost its competitive edge to enhance the sustainable value for the Company to its shareholders.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Period was approximately HK\$149,647,000 representing an increase of approximately HK\$36,628,000, or 32.4% from approximately HK\$113,019,000 for the six months ended 30 September 2021. The increase in our revenue was because the Group undertook some more foundation works projects during the Period.

Gross Profit and Gross Profit Margin

The Group's gross profit amounted to approximately HK\$21,736,000 for the Period, compared to a gross profit of approximately HK\$15,987,000 for the six months ended 30 September 2021. The Group's gross profit margin during the Period was approximately 14.5% (six months ended 30 September 2021: approximately 14.1%).

The increase in gross profit and gross profit margin were the result of the improved gross profit margin for the newly awarded foundation projects commenced during the Period.

Other Income

The Group's other income for the Period were approximately HK\$5,478,000 (for the six months ended 30 September 2021: approximately HK\$2,170,000), representing an increase of approximately 152.4% over the six months ended 30 September 2021. This was mainly due to the government grants of approximately HK\$2,526,000 from the Employment Support Scheme launched by the Hong Kong Government.

Other Net Losses and Gains

The Group's other net losses for the Period were approximately HK\$7,343,000 (for the six months ended 30 September 2021: other net gains approximately HK\$312,000). This was mainly due to increase of credit loss of contract assets during the Period as compared to the six months ended 30 September 2021.

Administrative Expenses

The Group's administrative expenses for the Period were approximately HK\$11,816,000 representing a decrease of approximately HK\$315,000, or 2.6% from approximately HK\$12,131,000 for the six months ended 30 September 2021. This was mainly due to the management's effort in cost control.

Income Tax

No provision for Hong Kong Profits Tax has been provided as the Group had cumulative tax losses which can fully offset the taxable profit for the Period (for the six months ended 30 September 2021: nil).

Net Profit for the Period

For the Period, the Group recorded a net profit of approximately HK\$6,287,000 (for the six months ended 30 September 2021: approximately HK\$5,390,000).

Liquidity, Financial Resources and Capital Structure

As at 30 September 2022, the Group had bank balances of approximately HK\$31,769,000 (as at 31 March 2022: approximately HK\$14,342,000). The interest-bearing debts of the Group as at 30 September 2022 was approximately HK\$97,334,000 (as at 31 March 2022: approximately HK\$76,445,000). The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders of the Company through the optimisation of the debt and equity balance. The Group monitors capital using a gearing ratio, which is calculated based on the amount of bank loans and lease liabilities divided by total equity. The gearing ratio of the Group as at 30 September 2022 was approximately 56.4% (as at 31 March 2022: approximately 46.0%), which is attributable to the increase in bank loans and lease liabilities during the Period.

Pledge of Assets

The Group's plant and machinery with an aggregated net book value of approximately HK\$18,951,000 as at 30 September 2022 were held under finance lease (as at 31 March 2022: HK\$11,378,000).

The Group did not have any banking facilities that were secured by the Group's bank deposits as at 30 September 2022 (as at 31 March 2022: banking facilities were secured by the Group's bank deposits amounting to approximately HK\$11,238,000).

Foreign Exchange Risk

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the Period.

Significant Investment

The Group did not have any significant investments during the Period.

Material Acquisitions and Disposals

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

Future Plans for Material Investments or Capital Assets

Save as disclosed in this announcement, the Group does not have other plans for material investment or capital assets as at 30 September 2022.

Employees and Remuneration Policy

As at 30 September 2022, the Group employed 85 employees. Total remuneration costs including Directors' emoluments for the Period, amounted to approximately HK\$30,063,000 (for the six months ended 30 September 2021: approximately HK\$21,183,000). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the Period, the Group has not experienced any significant labour disputes with its employees nor has it experienced any difficulty in the recruitment and retention of experienced staff.

Capital Commitments

As at 30 September 2022, the Group had no capital commitments (as at 31 March 2022: HK\$24,220,000).

Contingent Liabilities

As at 30 September 2022, the Group did not have any significant contingent liabilities (as at 31 March 2022: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, sale or redemption of the Company's listed securities

No purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries was made during the Period and up to the date of this announcement.

Interim dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2022.

Compliance with the corporate governance code

The Group is committed to uphold high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial to the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of the shareholders of the Company.

The Company had adopted the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. To the best knowledge of the Board, the Company has complied with all applicable code provisions in the Corporate Governance Code during the Period and up to the date of this announcement.

Compliance with the Model Code

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). In response to a specific enquiry by the Company, all Directors have confirmed that they complied with the requirements of the Model Code during the Period and up to the date of this announcement.

Audit Committee

The Company has an audit committee (the "**Audit Committee**") in accordance with the requirements of the Listing Rules with terms of reference aligned with the provision of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee is to serve as a focal point for communication between other Directors, the external auditors, and the management as their duties relate to financial and other reporting, internal controls and the audits; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, be satisfying themselves as to the effectiveness of the Company's internal controls and as to the efficiency of the audits. The Audit Committee comprises three independent non-executive Directors, namely Mr. Cheng Chi Hung (chairman), Mr. Li Hon Hung, *BBS, MH, JP* and Mr. Wong Yip Kong.

Review of Interim Results

The Group's unaudited condensed consolidated interim results and financial report for the Period have been reviewed and approved by the Audit Committee. The Audit Committee is of the opinion that the relevant unaudited condensed consolidated financial statements have been prepared in compliance with the applicable accounting standards and the requirements under the Listing Rules, and that adequate disclosures have been made.

Publication of Interim Results Announcement and Interim Report

The interim results announcement of the Company has been published on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.simonandsons.com.hk. The interim report will be despatched to the shareholders of the Company and is available on the above websites in due course.

Events after the Period

The event that has a significant impact on the Group and occurred since 30 September 2022 and up to the date of this announcement has been stated in the section headed "Management Discussion and Analysis – Future Prospects" above.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all our management and staff members for their dedication and contribution to the Group. In addition, I would like to thank all our Shareholders and investors for their support and our customers for their patronage.

By order of the Board
Sheung Yue Group Holdings Limited
Chan Lap Wai Gary
Chairman

Hong Kong, 22 November 2022

As at the date of this announcement, the Board comprises Mr. Chan Lap Wai Gary (Chairman), Mr. Chan Lap Chuen Edmond and Ms. Chan Chin Ying Amanda as executive Directors, and Mr. Li Hon Hung, BBS, MH, JP, Mr. Cheng Chi Hung and Mr. Wong Yip Kong as independent non-executive Directors.