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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 2017**

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 2017 (the “**Period**”), together with the comparative figures for the corresponding period in 2016.

### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the six months ended 30 September 2017 amounted to approximately HK\$156.8 million (for the six months ended 30 September 2016: approximately HK\$147.4 million).
- Profit attributable to owners of the Company for the six months ended 30 September 2017 amounted to approximately HK\$11.4 million (for the six months ended 30 September 2016: approximately HK\$14.5 million).
- Basic and diluted earnings per share for the six months ended 30 September 2017 amounted to approximately HK cents 1.67 (for the six months ended 30 September 2016: approximately HK cents 2.66).
- The Board does not declare any interim dividend for the six months ended 30 September 2017.

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

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2017</b>	<b>2016</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	6	<b>156,757</b>	147,398
Cost of services		<u><b>(131,533)</b></u>	<u>(119,808)</u>
Gross profit		<b>25,224</b>	27,590
Other income	6	<b>557</b>	5,172
Other gains and losses	6	<b>1,059</b>	(189)
Share of loss of a joint venture		–	(4)
Administrative expenses		<u><b>(12,714)</b></u>	<u>(13,890)</u>
Operating profit	7	<b>14,126</b>	18,679
Finance costs	8	<u><b>(239)</b></u>	<u>(443)</u>
Profit before income tax expense		<b>13,887</b>	18,236
Income tax expense	9	<u><b>(2,461)</b></u>	<u>(3,722)</u>
Profit for the period		<u><b>11,426</b></u>	<u>14,514</u>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified</b>			
<b>subsequently to profit or loss</b>			
Changes in fair value of investment in a life insurance policy		<b>8</b>	11
Exchange differences on translating a foreign operation		<u><b>(269)</b></u>	<u>(2)</u>
Other comprehensive income for the period, net of tax		<u><b>(261)</b></u>	<u>9</u>
Total comprehensive income for the period		<u><b>11,165</b></u>	<u>14,523</u>
<b>Earnings per share</b>			
– Basic and diluted ( <i>HK cents</i> )	11	<u><b>1.67</b></u>	<u>2.66</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT 30 SEPTEMBER 2017*

		As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	52,220	48,117
Deposits paid for acquisition of plant and machinery	13	–	3,199
Interest in a joint venture		–	36
Investment in a life insurance policy		2,441	2,387
		54,661	53,739
<b>Current assets</b>			
Inventories		7,601	8,363
Amounts due from customers for contract work		112,331	133,825
Trade and other receivables	13	69,921	73,973
Pledged bank deposits	14	13,429	14,049
Cash and cash equivalents	14	78,266	70,592
Tax recoverable		–	126
		281,548	300,928
<b>Current liabilities</b>			
Trade and other payables	15	46,196	75,494
Amount due to ultimate holding company		–	216
Finance lease payables		2,386	2,801
Current tax liabilities		14,178	13,364
		62,760	91,875
<b>Net current assets</b>		<b>218,788</b>	<b>209,053</b>
<b>Total assets less current liabilities</b>		<b>273,449</b>	<b>262,792</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT 30 SEPTEMBER 2017*

		As at <b>30 September</b> <b>2017</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 March 2017 <i>HK\$'000</i> (Audited)
<b>Non-current liabilities</b>			
Finance lease payables		1,221	2,315
Deferred tax liabilities		7,101	6,515
		8,322	8,830
<b>NET ASSETS</b>		265,127	253,962
<b>Equity</b>			
Share capital	16	6,848	6,848
Reserves		258,279	247,114
<b>TOTAL EQUITY</b>		265,127	253,962

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

	Attributable to owners of the Company							
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Available- for-sale financial asset reserve <i>HK\$'000</i>	Foreign exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 1 April 2016 (audited)</b>	10,010	-	-	-	(419)	226	179,324	189,141
Profit for the period	-	-	-	-	-	-	14,514	14,514
Other comprehensive income for the period:								
Changes in fair value of investment in a life insurance policy	-	-	-	-	11	-	-	11
Exchange differences on translating a foreign operation	-	-	-	-	-	(2)	-	(2)
Total comprehensive income for the period	-	-	-	-	11	(2)	14,514	14,523
Dividend ( <i>Note 10</i> )	-	-	-	-	-	-	(80,000)	(80,000)
<b>As at 30 September 2016 (unaudited)</b>	<u>10,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(408)</u>	<u>224</u>	<u>113,838</u>	<u>123,664</u>
<b>As at 1 April 2017 (audited)</b>	6,848	98,111	10,010	3,446	(409)	187	135,769	253,962
Profit for the period	-	-	-	-	-	-	11,426	11,426
Other comprehensive income for the period:								
Changes in fair value of investment in a life insurance policy	-	-	-	-	8	-	-	8
Exchange differences on translating a foreign operation	-	-	-	-	-	(269)	-	(269)
Total comprehensive income for the period	-	-	-	-	8	(269)	11,426	11,165
<b>As at 30 September 2017 (unaudited)</b>	<u>6,848</u>	<u>98,111</u>	<u>10,010</u>	<u>3,446</u>	<u>(401)</u>	<u>(82)</u>	<u>147,195</u>	<u>265,127</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Net cash generated from operating activities</b>	<u><b>15,649</b></u>	<u>24,322</u>
<b>Net cash used in investing activities</b>	<u><b>(5,857)</b></u>	<u>(5,893)</u>
<b>Net cash used in financing activities</b>	<u><b>(1,830)</b></u>	<u>(15,998)</u>
<b>Net increase in cash and cash equivalents</b>	<b>7,962</b>	2,431
<b>Cash and cash equivalents at beginning of period</b>	<b>70,592</b>	52,722
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u><b>(288)</b></u>	<u>(134)</u>
<b>Cash and cash equivalents at end of period</b>	<u><u><b>78,266</b></u></u>	<u><u>55,019</u></u>

# **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017*

## **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 has listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 11 November 2016.

The Company is 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.

In the opinion of the directors, the Company’s immediate and ultimate holding company is Creative Elite Global Limited, a company incorporated in the British Virgin Islands.

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 2017 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 areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 4.

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 2017. 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 2017.

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

The unaudited condensed consolidated interim financial statements have been prepared under historical cost basis except for investment in a life insurance policy, which is measured at fair value.

The unaudited condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2017, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 April 2017. The Group has applied, for the first time, the following revised HKFRSs issued by HKICPA which are effective for the Group’s financial year beginning on 1 April 2017.

Amendments to HKAS 7

Disclosure Initiative

The adoption of this amendment has no material impact on the Group’s unaudited condensed consolidated interim financial statements. The Group has not applied any new HKFRSs or amendments that is not yet effective for the current accounting period.

### **4. USE OF JUDGMENTS AND ESTIMATES**

In preparing this unaudited condensed consolidated interim financial information, the significant judgments made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied in the consolidated financial statements for the year ended 31 March 2017.

### **5. SEGMENT INFORMATION**

#### **Operating segments**

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 chief operating decision maker, 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 and all of the Group’s non-current assets were located in Hong Kong, based on the location of its customers and its non-current assets. Therefore, no geographical information is presented.



## 6. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

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

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other income</b>		
Interest income on		
– Bank deposits	<b>14</b>	26
– Investment in a life insurance policy	<b>50</b>	53
	<hr/>	<hr/>
Total interest income on financial assets that are not at fair value through profit or loss	<b>64</b>	79
Machinery rental income	<b>85</b>	208
Income from sale of scrap materials	<b>10</b>	3,890
Imputed interest on retention receivables	<b>398</b>	966
Sundry income	<b>–</b>	29
	<hr/>	<hr/>
	<b>557</b>	5,172
	<hr/> <hr/>	<hr/> <hr/>
<b>Other gains and losses</b>		
Foreign exchange gain/(loss), net	<b>298</b>	(180)
Loss on deregistration of a joint venture	<b>(36)</b>	–
Gain/(loss) on disposal of property, plant and equipment	<b>797</b>	(9)
	<hr/>	<hr/>
	<b>1,059</b>	(189)
	<hr/> <hr/>	<hr/> <hr/>

## 7. OPERATING PROFIT

The Group's operating profit is arrived at after charging:

	Six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Auditors' remuneration	360	350
Depreciation	6,384	7,286
Operating lease rentals in respect of:		
– Land and buildings	1,189	1,227
– Plant and equipment	848	5,280
Employee benefit expenses	23,774	29,744
Listing expenses	–	5,119
	<u>          </u>	<u>          </u>

## 8. FINANCE COSTS

	Six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on finance lease payables	101	104
Interest on bank overdrafts	4	3
Interest on bank loans	–	73
Imputed interest expense on retention payables	134	263
	<u>          </u>	<u>          </u>
	<u>239</u>	<u>443</u>

## 9. INCOME TAX EXPENSE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax – Hong Kong profits tax – charge for the period	<b>1,876</b>	4,345
Deferred tax expense/(credit)	<u><b>585</b></u>	<u>(623)</u>
Income tax expense	<u><b>2,461</b></u>	<u>3,722</u>

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the respective periods.

## 10. DIVIDENDS

The Company does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

During the six months ended 30 September 2016, the interim dividends of HK\$800 per ordinary share or in aggregate of HK\$80,000,000 were declared by a subsidiary of the Company, Simon & Sons Engineering Limited to its then shareholders prior to the completion of the group reorganisation. Part of the interim dividends amounting to approximately HK\$19,831,000 was settled by way of offsetting against the net outstanding amounts due from directors who are the controlling shareholders of the Company, and the remaining interim dividend amounting to approximately HK\$60,169,000 was paid in cash.

## 11. 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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share	<u><u>11,426</u></u>	<u><u>14,514</u></u>
	<b>Number of shares</b>	
	<b>2017</b>	<b>2016</b>
	<b>'000</b>	<b>'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share ( <i>note</i> )	<u><u>684,750</u></u>	<u><u>545,000</u></u>

*Note:*

Weighted average of 545,000,000 ordinary shares for the six months ended 30 September 2016, being the number of shares in issue immediately after the completion of capitalisation issue of shares as detailed in Note 28(a)(iii) to the consolidated financial statements for the year ended 31 March 2017, are deemed to have been issued throughout the six months ended 30 September 2016.

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.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group incurred capital expenditures of approximately HK\$10,676,000 (six months ended 30 September 2016: approximately HK\$5,782,000) in plant and machinery, approximately HK\$17,000 (six months ended 30 September 2016: approximately HK\$62,000) in furniture and equipment, and HK\$900,000 in motor vehicles (six months ended 30 September 2016: Nil).

Items of property, plant and equipment with net book value amounting to approximately HK\$1,106,000 were disposed of during the six months ended 30 September 2017 (six months ended 30 September 2016: approximately HK\$13,000), resulting in a gain on disposal of approximately HK\$797,000 (six months ended 30 September 2016: loss on disposal of approximately HK\$9,000).

### 13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Trade receivables ( <i>note (a)</i> )	25,085	20,620
Retention receivables ( <i>note (b)</i> )	38,848	43,646
Other receivables	4,861	6,436
Prepayments and deposits	1,127	6,470
	<u>69,921</u>	<u>77,172</u>
Less: Non-current portion		
Deposits paid for acquisition of plant and machinery	–	(3,199)
Total current portion	<u><u>69,921</u></u>	<u><u>73,973</u></u>

*Note:*

- (a) 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 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 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Less than 1 month	12,927	20,090
1 to 3 months	9,518	–
More than 3 months but less than one year	2,640	530
	<u><u>25,085</u></u>	<u><u>20,620</u></u>

The ageing of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	<b>As at 30 September 2017 <i>HK\$'000</i> (Unaudited)</b>	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Neither past due nor impaired	<b>12,927</b>	16,574
Less than 1 month past due	<b>8,782</b>	3,516
1 to 3 months past due	<b>1,195</b>	–
More than 3 months past due but less than 12 months past due	<b>2,181</b>	530
	<b>25,085</b>	20,620

Trade receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, management is of the opinion that no provision for impairment is necessary in respect of these receivables as there has not been a significant change in credit quality and the credit risk is minimal.

- (b) Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

Retention receivables as at 30 September 2017 and 31 March 2017 were neither past due nor impaired. These related to customers for whom there was no recent history of default.

**14. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS**

	As at <b>30 September</b> <b>2017</b> <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Cash and bank balances	78,266	70,592
Short-term deposits	<u>13,429</u>	<u>14,049</u>
	<b>91,695</b>	84,641
Less: pledged bank deposits	<u>(13,429)</u>	<u>(14,049)</u>
Cash and cash equivalents	<u><b>78,266</b></u>	<u>70,592</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one to three months, and earn interest at the respective short-term deposit rates. The bank balances and short-term deposits are deposited with creditworthy banks with no recent history of default.

The Group has pledged its short-term deposits as securities for its banking facilities.

**15. TRADE AND OTHER PAYABLES**

	As at <b>30 September</b> <b>2017</b> <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Trade payables ( <i>note</i> )	15,258	41,361
Retention payables	22,952	21,812
Other payables and accruals	<u>7,986</u>	<u>12,321</u>
	<u><b>46,196</b></u>	<u>75,494</u>

*Note:*

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

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000 (Audited)
Current or less than 1 month	<b>2,696</b>	30,302
1 to 3 months	<b>11,080</b>	10,476
More than 3 months but less than one year	<b>870</b>	343
More than one year	<b>612</b>	240
	<b>15,258</b>	41,361

The Group's trade payables are non-interest bearing and generally have payment terms of 7 to 60 days.

## 16. SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>Amount HK\$'000</b>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 March 2017 and 30 September 2017	<b>2,000,000,000</b>	<b>20,000</b>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 March 2017 and 30 September 2017	<b>684,750,000</b>	<b>6,848</b>



## 17. OPERATING LEASE ARRANGEMENTS

### As lessee

The Group leased its office premises under operating lease arrangements which were negotiated for terms ranging from one to two years.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000 (Audited)
Not later than one year	<b>1,878</b>	2,176
Later than one year and not later than five years	<b>1,290</b>	2,169
	<b>3,168</b>	4,345

## 18. 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			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 30 September 2017 (unaudited)				
Available-for-sale investments	–	–	2,441	2,441
As at 31 March 2017 (audited)				
Available-for-sale investments	–	–	2,387	2,387

During the six months ended 30 September 2017, there was no transfer between level 1 and level 2 fair value hierarchy or transfer into or out of level 3.

## 19. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management for the six months ended 30 September 2017 were approximately HK\$5,662,000 (six months ended 30 September 2016: approximately HK\$3,459,000).

## 20. CAPITAL COMMITMENTS

	<b>As at 30 September 2017 <i>HK\$'000</i> (Unaudited)</b>	<b>As at 31 March 2017 <i>HK\$'000</i> (Audited)</b>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided	–	7,476

## 21. LITIGATIONS

At the end of the reporting period, there were a number of labour claims arising from the normal course of business being lodged against the Group and no specific claim amount has been specified in the applications of these claims. In the opinion of the directors, the possibility of any outflow of resources in settling these claims were remote and therefore the ultimate liability under these claims would not have a material adverse impact on the financial position or results of the Group.

## **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 (such as driven H-piling, socketed H-piling, precast prestressed concrete piling, mini piling, soldier piling, pipe piling and king posts), ELS works, pile cap construction, site formation and ancillary services (such as loading test and construction machinery leasing services).

### **PROSPECTS**

According to the Chief Executive's 2017 Policy Address (the "Policy Address"), 210 sites in Hong Kong are identified as suitable to be used for residential development, potentially providing 380,000 public and private housing units. The government of the HKSAR plans to actively explore ways to increase the land supply in Hong Kong through reviewing land uses, increasing the development intensity of sites, developing rock cavern space, speeding up urban renewal and developing the Lantau Island to create more opportunities for housing development in Hong Kong. As such, the Group anticipates that more foundation projects will be launched in Hong Kong in the near future, and the Directors consider that the Group is well-positioned to take on new foundation projects in spite of the keen competition in the construction industry in Hong Kong.

The Group will continue to exercise due care in the pursuance of its existing core business and to explore other business opportunities from time to time in order to broaden the revenue stream of the Group.

### **FINANCIAL REVIEW**

#### **Revenue**

The Group's total revenue for the Period was approximately HK\$156,757,000 (six months ended 30 September 2016: approximately HK\$147,398,000), representing a slightly increase of approximately 6.3% over the six months ended 30 September 2016. The slightly increase was because the Group undertook some more foundation works projects during the Period.

#### **Gross Profit Margin**

The Group's gross profit margin during the Period was approximately 16.1% (for the six months ended 30 September 2016: approximately 18.7%). The decrease in gross profit margin was mainly due to the lower gross profit derived from the new projects commenced and the increase of subcontracting cost involved during the Period.

#### **General and Administrative Expenses**

The Group's administrative expenses for the Period were approximately HK\$12,714,000 (for the six months ended 30 September 2016: approximately HK\$13,890,000), representing a decrease of approximately 8.5% over the corresponding period in 2016. This was mainly due to the absence of the non-recurring listing expenses of approximately HK\$5,119,000 during the Period when compared with the corresponding period last year.

### **Income Tax Expense**

The Group's income tax expense for the Period was approximately HK\$2,461,000 (for the six months ended 30 September 2016: approximately HK\$3,722,000). The decrease was in line with the decrease in profit before income tax expense.

### **Net Profit**

For the Period, the Group recorded a net profit of approximately HK\$11,426,000 (for the six months ended 30 September 2016: approximately HK\$14,514,000), representing a decrease of approximately 21.3% as compared with the corresponding period last year. The decrease was mainly attributable to the decrease in gross profit and other income, especially income from sale of scrap materials during the Period.

### **Liquidity, Financial Resources and Capital Structure**

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, cash inflows from operating activities and proceeds received from the Listing.

As at 30 September 2017, the Group had bank balances of approximately HK\$78.3 million (as at 31 March 2017: approximately HK\$70.6 million). The interest-bearing debts of the Group as at 30 September 2017 was approximately HK\$3.6 million (as at 31 March 2017: approximately HK\$5.1 million). The gearing ratio is calculated based on the amount of total interest-bearing debts divided by total equity. The gearing ratio of the Group as at 30 September 2017 was approximately 1.4% (as at 31 March 2017: approximately 2.0%), as a result of the partial repayment of interest-bearing debts during the Period.

### **Pledge of Assets**

The Group's plant and machinery with an aggregate net book value of approximately HK\$6.8 million and HK\$14.7 million as at 30 September 2017 and 31 March 2017, respectively, were held under finance leases.

### **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.

## Employees and Remuneration Policy

As at 30 September 2017, the Group employed 111 employees. Total remuneration costs including directors' emoluments for the Period, amounted to approximately HK\$23.8 million (for the six months ended 30 September 2016: approximately HK\$29.7 million). 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 six months ended 30 September 2017, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

## Capital Commitments

The Group had no capital commitments as at 30 September 2017 (as at 31 March 2017: approximately HK\$7,476,000).

## Contingent Liabilities

As at 30 September 2017, the Group did not have any significant contingent liabilities.

## Use of Proceeds from Initial Public Offering

The net proceeds of the share offer received by the Company in relation to the Listing were approximately HK\$95.3 million, after deduction of underwriting fees and commissions and expenses. These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Future plans and use of proceeds" in the prospectus of the Company dated 31 October 2016. The below table sets out the proposed applications of the net proceeds and usage up to the date of this announcement:

	<b>Planned use of proceeds</b> <i>HK\$'000</i>	<b>Actual usage up to the date of this announcement</b> <i>HK\$'000</i>
Purchase of machinery and equipment	67,048	14,014
Taking out surety bond	19,466	6,870
Expansion of workforce	7,299	3,456
General working capital	1,512	1,512
	<u>95,325</u>	<u>25,852</u>

## **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 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 2017.

### **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 complied with all applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules 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. Siu Miu Man.

## **Review of Interim Results**

The Group's unaudited condensed combined interim results and financial report for the Period have been reviewed and approved by the Audit Committee.

## **Publication of Results Announcement and Interim Report**

This announcement is published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and at the website of the Company at [www.simonandsons.com.hk](http://www.simonandsons.com.hk). The interim report will be despatched to the shareholders of the Company and available on the above websites in due course.

## **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, 28 November 2017

*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, Mr. Chan Sau Man Simon as non-executive Director and honorary chairman, and Mr. Li Hon Hung, BBS, MH, JP, Mr. Siu Miu Man and Mr. Cheng Chi Hung as independent non-executive Directors.*