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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 2019

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 2019 (the “**Period**”), together with the comparative figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		Six months ended 30 September	
	<i>Notes</i>	2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	146,858	115,557
Cost of services		<u>(144,785)</u>	<u>(109,938)</u>
Gross profit		2,073	5,619
Other income	5	730	748
Other gains and losses	5	11,593	(88)
Administrative expenses		<u>(13,199)</u>	<u>(33,010)</u>
Operating profit/(loss)	6	1,197	(26,731)
Finance costs	7	<u>(96)</u>	<u>(48)</u>
Profit/(loss) before income tax expense		1,101	(26,779)
Income tax credit	8	<u>–</u>	<u>4,651</u>
Profit/(loss) for the period		<u>1,101</u>	<u>(22,128)</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating a foreign operation		<u>(2)</u>	<u>29</u>
Other comprehensive (expenses)/ income for the period, net of tax		<u>(2)</u>	<u>29</u>
Total comprehensive income for the period		<u>1,099</u>	<u>(22,099)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(loss) per share			
– Basic and diluted	10	<u>0.16</u>	<u>(3.23)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	11	42,134	43,418
Right of use assets	12	8,794	–
Investment in a life insurance policy	20	2,611	2,567
		53,539	45,985
		218,792	181,249
Current assets			
Inventories		11,818	10,655
Contract assets	13	84,647	81,232
Trade and other receivables	14	62,427	28,641
Pledged bank deposits	15	19,710	19,671
Cash and cash equivalents	15	40,137	40,997
Tax recoverable		53	53
		218,792	181,249
		218,792	181,249
Current liabilities			
Trade and other payables	17	86,222	53,530
Bank loan	16	8,001	4,928
Finance lease liabilities		–	561
Lease liabilities	18	2,810	–
		97,033	59,019
		97,033	59,019
Net current assets		121,759	122,230
Total assets less current liabilities		175,298	168,215

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Lease liabilities	18	<u>5,984</u>	<u>–</u>
		<u>5,984</u>	<u>–</u>
NET ASSETS		<u>169,314</u>	<u>168,215</u>
Equity			
Share capital	19	6,848	6,848
Reserves		<u>162,466</u>	<u>161,367</u>
TOTAL EQUITY		<u>169,314</u>	<u>168,215</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	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>
As at 1 April 2018 (audited)	6,848	98,111	10,010	3,446	(402)	217	110,053	228,283
Impact of adopting HKFRS 9	-	-	-	-	402	-	(402)	-
As at 1 April 2018 (restated)	<u>6,848</u>	<u>98,111</u>	<u>10,010</u>	<u>3,446</u>	<u>-</u>	<u>217</u>	<u>109,651</u>	<u>228,283</u>
Loss for the period	-	-	-	-	-	-	(22,128)	(22,128)
Other comprehensive income for the period:								
Exchange differences on translating a foreign operation	-	-	-	-	-	29	-	29
Total comprehensive expenses for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29</u>	<u>(22,128)</u>	<u>(22,099)</u>
As at 30 September 2018 (unaudited)	<u>6,848</u>	<u>98,111</u>	<u>10,010</u>	<u>3,446</u>	<u>-</u>	<u>246</u>	<u>87,523</u>	<u>206,184</u>
As at 1 April 2019 (audited)	<u>6,848</u>	<u>98,111</u>	<u>10,010</u>	<u>3,446</u>	<u>-</u>	<u>245</u>	<u>49,555</u>	<u>168,215</u>
Profit for the period	-	-	-	-	-	-	1,101	1,101
Other comprehensive income for the period:								
Exchange differences on translating a foreign operation	-	-	-	-	-	(2)	-	(2)
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>1,101</u>	<u>1,099</u>
As at 30 September 2019 (unaudited)	<u>6,848</u>	<u>98,111</u>	<u>10,010</u>	<u>3,446</u>	<u>-</u>	<u>243</u>	<u>50,656</u>	<u>169,314</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	<u>21,354</u>	<u>(8,282)</u>
Net cash used in investing activities	<u>(27,350)</u>	<u>(1,176)</u>
Net cash generated from/(used in) financing activities	<u>6,683</u>	<u>(1,141)</u>
Net increase/(decrease) in cash and cash equivalents	687	(10,599)
Cash and cash equivalents at beginning of the period	39,491	50,091
Effect of exchange rate changes on cash and cash equivalents	<u>(41)</u>	<u>(1)</u>
Cash and cash equivalents at end of the period	<u><u>40,137</u></u>	<u><u>39,491</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 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 of the Company (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 2019 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 2019. 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 2019.

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 2019 except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 April 2019.

3.1 New and amended standards and interpretations adopted by the Group

New and amended standards and interpretations, which are mandatory for the first time for the financial period beginning 1 April 2019, are as follows:

Annual improvements project	Annual Improvements to HKFRSs 2015 – 2017 Cycle
HKAS 19 (Amendment)	Employee Benefits
HKAS 28 (Amendment)	Investments in Associate and Joint Ventures
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKFRIC – Int 23	Uncertainty over Income Tax Treatments

Except as disclosed in Note 3.2 for the adoption of HKFRS 16, the adoption of the above new and amended standards and interpretations did not have any significant impact on the preparation of these consolidated financial information.

3.2 Adoption of HKFRS 16 Leases

The Group has adopted HKFRS 16 on 1 April 2019 without restating comparative information, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

(a) *Adjustments recognised on adoption of HKFRS 16*

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Statement of financial position (extract)	31 March 2019		1 April 2019
	As originally presented	HKFRS 16	Restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Right-of-use-assets	–	9,601	9,601
Current liabilities			
Finance lease liabilities	561	(561)	–
Lease liabilities	–	4,178	4,178
Non-current liabilities			
Lease liabilities	–	5,984	5,984

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at 1 April 2019.

Statement of financial position (extract)	2019
	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	1,733
Discounted using the lessee’s incremental borrowing rate at the date of initial application	11,207
Less: leases recognised on a straight-line basis as expense	(1,606)
Add: finance lease liabilities recognised as at 31 March 2019	561
Lease liabilities recognised as at 1 April 2019	10,162
Of which are:	
Current lease liabilities	4,178
Non-current lease liabilities	5,984

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that leases recognised in the consolidated statement of financial position as at 30 September 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 September 2019	1 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties leases	<u>8,794</u>	<u>9,601</u>
Total right-of-use assets	<u><u>8,794</u></u>	<u><u>9,601</u></u>

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17.

(b) *The Group's leasing activities and how these are accounted for*

Rental contracts are typically made for fixed periods but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Prior to 1 April 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the lease liabilities and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases is recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4. 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, 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 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:

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Interest income on		
– Bank deposits	<u>58</u>	<u>33</u>
Total interest income on financial assets that are not at fair value through profit or loss	58	33
Interest income in a life insurance policy that are at fair value through profit or loss	–	52
Fair value gain in life insurance policy	–	12
Machinery rental income	<u>672</u>	<u>651</u>
	730	748
	<u>730</u>	<u>748</u>
Other gains and losses		
Foreign exchange loss, net	(38)	(8)
Gain/(loss) on disposal of property, plant, and equipment	3,881	(80)
Gain on fair value changes in investment in a life insurance policy	116	–
Reversal of allowance for credit loss on:		
– Trade receivables	2,179	–
– Contract assets	<u>5,455</u>	<u>–</u>
	11,593	(88)
	<u>11,593</u>	<u>(88)</u>

6. OPERATING PROFIT/(LOSS)

The Group's operating profit/(loss) is arrived at after charging/(crediting):

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation		
– Property, plant and equipment	5,889	5,123
– Right-of-use assets	807	–
Operating lease rentals in respect of:		
– Land and buildings	615	1,498
– Plant and equipment	–	417
Employee benefit expenses	24,167	19,094
Reverse of allowance for credit loss on:		
– Trade receivables	(2,179)	–
– Contract assets	(5,455)	–
Impairment of contract assets	345	19,807
	<u> </u>	<u> </u>

7. FINANCE COSTS

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on finance lease liabilities	6	40
Interest on lease liabilities	8	–
Interest on bank overdraft	7	7
Imputed interest expense on retention payables	–	1
Interest on bank loan	76	–
	<u> </u>	<u> </u>
	<u>97</u>	<u>48</u>

8. INCOME TAX CREDIT

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

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong profits tax – charge for the period	–	–
Deferred tax credit	–	4,651
Income tax credit	–	4,651

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

9. DIVIDENDS

The Directors does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

10. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) for the period attributable to owners of the Company	<u>1,101</u>	<u>(22,128)</u>
	Number of shares	
	2019	2018
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>684,750</u>	<u>684,750</u>

Diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share because the Group has no dilutive potential ordinary shares during the respective periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group incurred capital expenditures of approximately HK\$16,024,000 in plant and machinery.

During the six months ended 30 September 2018, the Group did not incur any capital expenditures.

Items of property, plant and equipment with net book value amounting to approximately HK\$11,955,000 were disposed of during the six months ended 30 September 2019 (six months ended 30 September 2018: approximately HK\$374,000), resulting in a gain on disposal of approximately HK\$3,881,000 (six months ended 30 September 2018: loss on disposal of approximately HK\$80,000).

12. RIGHT OF USE ASSETS

	Right of use assets (Note 3.2) HK\$'000
Six months ended 30 September 2019	
Net book value	
Opening amount as at 1 April 2019	9,601
Depreciation	(807)
	<hr/>
Closing amounts as at 30 September 2019	8,794
	<hr/> <hr/>

13. CONTRACT ASSETS

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional other than passage of time.

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Arising from performance under construction contracts	91,620	93,661
Less: allowance for credit loss	(6,973)	(12,429)
	<hr/>	<hr/>
	84,647	81,232
	<hr/> <hr/>	<hr/> <hr/>

Included in carrying amount of contract assets comprises retention receivables of approximately HK\$38,889,000 as at 30 September 2019 (31 March 2019: approximately HK\$32,842,000).

Retention receivables is unsecured and interest-free and represented the monies withheld by customers of contract works fully recoverable within 1 to 2 years from the date of completion of construction contracts, in accordance with the terms specified in the relevant contracts. Upon satisfactory completion of contract work as set out in the contract, the architect for the building project will issue a practical completion certificate.

As at 30 September 2019, the Group recognised impairment loss of approximately HK\$345,000 (31 March 2019: HK\$24,076,000) 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 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Trade receivables (<i>note</i>)	41,133	12,610
Less: allowance for credit loss	<u>(3)</u>	<u>(2,182)</u>
	41,130	10,428
Other receivables	18,485	13,389
Prepayments and deposits	<u>2,812</u>	<u>4,824</u>
	<u>62,427</u>	<u>28,641</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 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 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Less than 1 month	41,130	10,428
1 to 3 months	<u>–</u>	<u>–</u>
	<u>41,130</u>	<u>10,428</u>

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

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Neither past due nor impaired	–	–
Less than 1 month past due	<u>41,130</u>	<u>10,428</u>
	<u>41,130</u>	<u>10,428</u>

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.

15. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Cash and bank balances	40,137	40,997
Short-term deposits	<u>19,710</u>	<u>19,671</u>
	59,847	60,668
Less: pledged bank deposits	<u>(19,710)</u>	<u>(19,671)</u>
Cash and cash equivalents	<u>40,137</u>	<u>40,997</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.

16. BANK LOAN

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Bank loan – secured (at amortised)	<u>8,001</u>	<u>4,928</u>
Presented as – current liabilities	<u><u>8,001</u></u>	<u><u>4,928</u></u>

The Group's bank loan is repayable as follows:

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Within 1 year	<u><u>8,001</u></u>	<u><u>4,928</u></u>

Bank loan with the aggregate carrying amount of approximately HK\$8,001,000 (31 March 2019: HK\$4,928,000) are secured by:

- (a) the Group's bank deposits amounting to approximately HK\$19,710,000 (31 March 2019: HK\$19,671,000); and
- (b) blanket counter indemnity from the Group.

Effective interest rates

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

	30 September 2019 (Unaudited)		31 March 2019 (Audited)	
	Effective interest rate %	Carrying amount <i>HK\$'000</i>	Effective interest rate %	Carrying amount <i>HK\$'000</i>
Fixed rate: Bank loan	<u>5.125%</u>	<u>8,001</u>	<u>5.125%</u>	<u>4,928</u>

17. TRADE AND OTHER PAYABLES

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Trade payables (<i>note</i>)	56,789	27,521
Retention payables	20,790	20,575
Other payables and accruals	8,643	5,434
	<u>86,222</u>	<u>53,530</u>

Note:

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

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Current or less than 1 month	26,072	12,170
1 to 3 months	17,710	11,770
More than 3 months but less than one year	10,173	1,832
More than one year	2,834	1,749
	<u>56,789</u>	<u>27,521</u>

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

18. LEASE LIABILITIES

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 1 April 2019 <i>HK\$'000</i> (Unaudited)
Total lease liabilities	8,794	10,162
Less: Current portion	<u>(2,810)</u>	<u>(4,178)</u>
Non-current portion	<u><u>5,984</u></u>	<u><u>5,984</u></u>

The Group leases various office premises and warehouses under lease agreements which were previously classified as operating leases under HKAS 17. The Group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases. From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position. The majority of lease liabilities are denominated in HKD.

During the six months ended 30 September 2019, the Group's operating lease rental payments relating to short-term and low-value leases of approximately HK\$615,000 have been recognised as expenses and included in operating lease rental in the interim condensed consolidated statements of profit or loss and other comprehensive income.

19. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 March 2019 and 30 September 2019	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 March 2019 and 30 September 2019	<u>684,750,000</u>	<u>6,848</u>

20. 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 2019 (unaudited)				
Financial assets at fair value through profit or loss	-	-	2,611	2,611
As at 31 March 2019 (audited)				
Financial assets at fair value through profit or loss	-	-	2,567	2,567

During the six months ended 30 September 2019, there was no transfer between level 1 and level 2 fair value hierarchy or transfer into or out of level 3.

21. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of Directors and other members of key management for the six months ended 30 September 2019 were approximately HK\$4,244,300 (six months ended 30 September 2018 were approximately HK\$5,147,000).

22. 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).

As at 30 September 2019, there were seven projects on hand with total contract sum amounting to approximately HK\$537.8 million. Two projects are expected to be completed in the forthcoming financial year.

PROSPECTS

The Directors are aware that the keen competition in the foundation works industry in Hong Kong and the increase in overall construction cost may continually affect the Group's gross profit and profit margin. Looking forward, although the Directors are aware that the global economic environment is likely to remain unstable in the coming year, riding on the Group's reputation in the foundation works industry and our experienced management, our Directors are of the view that the Group is able to maintain the competitiveness among our competitors in the foundation works industry. The Group will continue to enhance its budget management, upgrade its ability in project execution and budget control in order to further improve its management standard and secure stable and sustainable development of the Group.

In addition, the Group will continue to exercise due care in the pursuance of its existing core business and to explore other business opportunities, including but not limited to the provision of general building works services, 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\$146,858,000 (six months ended 30 September 2018: approximately HK\$115,557,000), representing an increase of approximately 27.1% over the six months ended 30 September 2018. The 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 1.4% (for the six months ended 30 September 2018: approximately 4.9%). The decrease in gross profit margin was mainly due to the relatively lower profit margin of the projects during the Period.

General and Administrative Expenses

The Group's administrative expenses for the Period were approximately HK\$13,199,000 (for the six months ended 30 September 2018: approximately HK\$33,010,000), representing a decrease of approximately 60.0% over the corresponding period in 2018. This was mainly due to the significant decrease in provision of impairment of contract assets during the Period.

Income Tax Credit

No income tax credited for the Period (for the six months ended 30 September 2018: approximately HK\$4,651,000).

Net Profit/Loss

For the Period, the Group recorded a net profit of approximately HK\$1,101,000 (net loss for the six months ended 30 September 2018: approximately HK\$22,128,000).

Liquidity, Financial Resources and Capital Structure

As at 30 September 2019, the Group had bank balances of approximately HK\$40.1 million (as at 31 March 2019: approximately HK\$41.0 million). The interest-bearing debts of the Group as at 30 September 2019 was approximately HK\$8.0 million (as at 31 March 2019: approximately HK\$5.5 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 2019 was approximately 4.7% (as at 31 March 2019: approximately 3.3%), as a result of the increase in bank loan during the Period.

Pledge of Assets

The Group's plant and machinery with an aggregate net book value of approximately HK\$2.8 million as at 31 March 2019 were held under finance leases. All such plant and machinery had been released as at 30 September 2019.

As at 30 September 2019, banking facilities were secured by the Group's bank deposits amounting to approximately HK\$19,710,000 (as at 31 March 2019: HK\$19,671,000).

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.

Employees and Remuneration Policy

As at 30 September 2019, the Group employed 161 employees. Total remuneration costs including Directors' emoluments for the Period, amounted to approximately HK\$24.2 million (for the six months ended 30 September 2018: approximately HK\$19.1 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 2019, 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 2019 (as at 31 March 2019: Nil).

Contingent Liabilities

As at 30 September 2019, the Group did not have any significant contingent liabilities (as at 31 March 2019: Nil).

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 :

	Planned use of proceeds <i>HK\$'000</i>	Actual usage up to the date of this announcement <i>HK\$'000</i>	Unutilised proceeds as at the date of this announcement <i>HK\$'000</i>
Purchase of machinery and equipment	67,048	49,283	17,765 <i>(Note)</i>
Taking out surety bond	19,466	19,466	–
Expansion of workforce	7,299	7,299	–
General working capital	1,512	1,512	–
	<u>95,325</u>	<u>77,560</u>	<u>17,765</u>

Note:

For the unutilised proceeds with an amount of approximately HK\$17,765,000 for the purchase of machinery and equipment, we expect to apply such unutilised proceeds, in particular, approximately HK\$6,060,000, HK\$3,756,000, HK\$4,675,000 and HK\$3,274,000, respectively, in purchasing pile drivers, hydraulic hammers, crawler cranes and pre-boring rigs, by 31 March 2020.

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 2019.

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. Wong Yip Kong.

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 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.

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, 27 November 2019

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.