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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 2020

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 2020 (the “**Period**”), together with the comparative figures for the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	5	125,466	146,858
Cost of services		<u>(133,313)</u>	<u>(144,785)</u>
Gross (loss)/profit		(7,847)	2,073
Other income	5	5,090	730
Other net gains and losses	5	3,670	11,593
Administrative expenses		<u>(16,085)</u>	<u>(13,199)</u>
(Loss)/profit from operation	6	(15,172)	1,197
Finance costs	7	<u>(312)</u>	<u>(96)</u>
(Loss)/profit before taxation		(15,484)	1,101
Income tax	8	<u>–</u>	<u>–</u>
(Loss)/profit for the period		<u>(15,484)</u>	<u>1,101</u>
Other comprehensive expense for the period			
Items that may be reclassified			
subsequently to profit or loss			
Exchange differences on translating a foreign operation		<u>–</u>	<u>(2)</u>
Other comprehensive expense for the period, net of tax		<u>–</u>	<u>(2)</u>
Total comprehensive (expense)/income for the period		<u>(15,484)</u>	<u>1,099</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share	10		
– Basic and diluted		<u>(2.26)</u>	<u>0.16</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		As at 30 September 2020	As at 31 March 2020
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	49,381	45,221
Right-of-use assets	12	2,515	3,171
Financial asset at fair value through profit or loss	19	2,676	2,614
		54,572	51,006
Current assets			
Inventories		4,173	7,202
Contract assets	13	121,455	130,495
Trade and other receivables	14	43,044	40,456
Tax recoverable		71	71
Pledged bank deposits	15	20,689	20,689
Cash and cash equivalents	15	17,449	23,044
		206,881	221,957
Current liabilities			
Trade and other payables	17	86,954	91,410
Lease liabilities		1,310	1,269
Bank loans	16	17,850	8,795
		106,114	101,474
Net current assets		100,767	120,483
Total assets less current liabilities		155,339	171,489

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Lease liabilities		<u>1,278</u>	<u>1,944</u>
		<u>1,278</u>	<u>1,944</u>
NET ASSETS		<u>154,061</u>	<u>169,545</u>
Equity			
Share capital	18	6,848	6,848
Reserves		<u>147,213</u>	<u>162,697</u>
TOTAL EQUITY		<u>154,061</u>	<u>169,545</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	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 2019 (audited)	6,848	98,111	10,010	3,446	245	49,555	168,215
Profit for the period	-	-	-	-	-	1,101	1,101
Other comprehensive expense for the period:							
Exchange differences on translating a foreign operation	-	-	-	-	(2)	-	(2)
Total comprehensive income for the period	-	-	-	-	(2)	1,101	1,099
As at 30 September 2019 (unaudited)	<u>6,848</u>	<u>98,111</u>	<u>10,010</u>	<u>3,446</u>	<u>243</u>	<u>50,656</u>	<u>169,314</u>
As at 1 April 2020 (audited)	<u>6,848</u>	<u>98,111</u>	<u>10,010</u>	<u>3,446</u>	<u>244</u>	<u>50,886</u>	<u>169,545</u>
Loss for the period	-	-	-	-	-	(15,484)	(15,484)
Other comprehensive income for the period:							
Exchange differences on translating a foreign operation	-	-	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	-	-	(15,484)	(15,484)
As at 30 September 2020 (unaudited)	<u>6,848</u>	<u>98,111</u>	<u>10,010</u>	<u>3,446</u>	<u>244</u>	<u>35,402</u>	<u>154,061</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	<u>(2,813)</u>	<u>21,354</u>
Net cash used in investing activities	<u>(10,900)</u>	<u>(27,350)</u>
Net cash generated from financing activities	<u>8,118</u>	<u>6,683</u>
Net (decrease)/increase in cash and cash equivalents	(5,595)	687
Cash and cash equivalents at beginning of the period	23,044	39,491
Effect of exchange rate changes on cash and cash equivalents	<u>—</u>	<u>(41)</u>
Cash and cash equivalents at end of the period	<u><u>17,449</u></u>	<u><u>40,137</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 2020 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 2020. 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 2020.

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 2020 except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 April 2020.

New and amended standards and interpretations adopted by the Group

Application of amendments to HKFRSs

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

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and 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.

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

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 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 NET 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 net gains and losses recognised during the respective periods are as follows:

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other income		
Interest income on		
– Bank deposits	<u>47</u>	<u>58</u>
Total interest income from financial assets that are not at fair value through profit or loss	47	58
Government grants	2,727	–
Machinery rental income	<u>2,316</u>	<u>672</u>
	<u>5,090</u>	<u>730</u>
Other net gains and losses		
Foreign exchange loss, net	–	(38)
(Loss)/gain on disposal of property, plant, and equipment, net	(383)	3,881
Gain on fair value changes in financial asset at fair value through profit or loss	62	116
Reversal of allowance for credit loss, net of recognised:		
– Trade receivables	–	2,179
– Contract assets	<u>3,991</u>	<u>5,455</u>
	<u>3,670</u>	<u>11,593</u>

6. (LOSS)/PROFIT FROM OPERATION

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

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation		
– Owned property, plant and equipment	6,405	5,889
– Right-of-use assets	656	807
Expenses related short term leases of premises	–	615
Staff costs	37,249	24,167
(Reverse of)/allowance for credit loss on:		
– Trade receivables	141	(2,179)
– Contract assets	(3,991)	(5,455)
Impairment loss on contract assets	3,597	345
	<u>3,597</u>	<u>345</u>

7. FINANCE COSTS

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on finance lease liabilities	–	5
Interest on lease liabilities	96	8
Interest on bank overdrafts	4	7
Interest on bank loan	212	76
	<u>312</u>	<u>96</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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (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) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rate regime, 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%.

For the six months ended 30 September 2020 and 2019, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

The directors of the Company are in the view that the impact of the two-tiered profits tax rates regime on the Group’s current and deferred tax position is not material.

No provision for Hong Kong Profits Tax has been provided for the six months ended 30 September 2020 and 2019 as the Group had no assessable profits for the periods.

9. DIVIDENDS

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

10. (LOSS)/EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit for the period attributable to owners of the Company	<u><u>(15,484)</u></u>	<u><u>1,101</u></u>
	2020	2019
	Number of	Number of
	shares	shares
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share (<i>Note</i>)	<u><u>684,750</u></u>	<u><u>684,750</u></u>

Note:

Weighted average number of ordinary shares for the six months ended 30 September 2020 and 2019 are based on the number of ordinary shares in issue throughout the period.

Diluted (loss)/earnings per share is the same as the basic (loss)/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 2020, the Group incurred capital expenditures of approximately HK\$10,420,000 in plant and machinery, approximately HK\$7,000 in furniture and equipment and approximately HK\$525,000 in motor vehicles (six months ended 30 September 2019: approximately HK\$16,024,000 in plant and machinery).

Items of property, plant and equipment with net book value amounting to approximately HK\$387,000 were disposed of during the six months ended 30 September 2020 (six months ended 30 September 2019: approximately HK\$11,955,000), resulting in a loss on disposal of approximately HK\$383,000 (six months ended 30 September 2019: gain on disposal of approximately HK\$3,881,000).

During the six months ended 30 September 2020, the Group has entered into a provisional agreement with an individual and an independent third party to sell the Group's leasehold land and building (the "Property") at a consideration of HK\$9,850,000. Details of the disposal of the Property was disclosed in the announcement of the Company dated 15 July 2020. Completion of the disposal of the Property took place on 6 October 2020.

12. RIGHT-OF-USE ASSETS

The Group leases office for its operations. Lease contracts are entered into for fixed term of 3 years. The Group is required to make fixed monthly payment.

During the six months ended 30 September 2020 and 2019, the Group did not recognised additional right-of-use assets and lease liabilities.

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 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Arising from performance under construction contracts	125,048	138,079
Less: allowance for credit loss	(3,593)	(7,584)
	<u>121,455</u>	<u>130,495</u>

Included in carrying amount of contract assets comprises retention receivables of approximately HK\$36,612,000 as at 30 September 2020 (31 March 2020: approximately HK\$37,370,000).

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.

During the six months ended 30 September 2020, the Group wrote off of approximately HK\$3,597,000 (six months ended 30 September 2019: approximately HK\$345,000) 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 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables (<i>note</i>)	19,399	22,195
Less: allowance for credit loss	<u>(141)</u>	<u>–</u>
	19,258	22,195
Other receivables	20,923	15,073
Prepayments and deposits	<u>2,863</u>	<u>3,188</u>
	<u>43,044</u>	<u>40,456</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 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0-30 days	16,971	21,784
31-90 days	1,547	411
91-120 days	<u>740</u>	<u>–</u>
	<u>19,258</u>	<u>22,195</u>

Subsequent to the end of the reporting period, the trade receivables were fully settled.

15. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Cash and bank balances	17,449	23,044
Short-term deposits	<u>20,689</u>	<u>20,689</u>
	38,138	43,733
Less: pledged bank deposits	<u>(20,689)</u>	<u>(20,689)</u>
Cash and cash equivalents	<u><u>17,449</u></u>	<u><u>23,044</u></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 month to one year, 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 LOANS

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Bank loans – secured	<u>17,850</u>	<u>8,795</u>
Presented as – current liabilities	<u><u>17,850</u></u>	<u><u>8,795</u></u>

The Group's bank loans are repayable as follows:

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Within 1 year	17,850	8,795

Bank loans with the aggregate carrying amount of approximately HK\$17,850,000 (31 March 2020: HK\$8,795,000) are secured by:

- (a) the Group's bank deposits amounting to approximately HK\$20,689,000 (31 March 2020: HK\$20,689,000); and
- (b) blanket counter indemnity from the Group.

Effective interest rates

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

	30 September 2020 (Unaudited)		31 March 2020 (Audited)	
	Effective interest rate %	Carrying amount HK\$'000	Effective interest rate %	Carrying amount HK\$'000
Fixed rate: Bank loans	5.125%	17,850	5.125%	8,795

17. TRADE AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables (<i>note</i>)	50,504	57,159
Retention payables	23,189	22,175
Other payables and accruals	13,261	12,076
	<u>86,954</u>	<u>91,410</u>

Note:

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

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0-30 days	19,770	23,599
31-90 days	10,672	20,982
91-365 days	12,558	10,287
More than 365 days	7,504	2,291
	<u>50,504</u>	<u>57,159</u>

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

18. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 March 2020 and 30 September 2020	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 2020 and 30 September 2020	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) <i>HK\$'000</i>
As at 30 September 2020 (unaudited)	
Financial assets at fair value through profit or loss	<u>2,676</u>
As at 31 March 2020 (audited)	
Financial assets at fair value through profit or loss	<u>2,614</u>

There were no changes in valuation techniques and no transfers between levels during the six months ended 30 September 2020.

20. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of Directors and other members of key management for the six months ended 30 September 2020 were approximately HK\$4,062,000 (six months ended 30 September 2019 were approximately HK\$4,244,000).

21. LITIGATION

At the end of the reporting period, there was an ongoing labour claim arising from the normal course of business being lodged against the Group during the year ended 31 March 2020 and no specific claim amount has been specified in the application of the claim. In the opinion of the Directors, the possibility of any outflow of resources in settling the claim was remote and therefore the ultimate liability under the claim would not have a material adverse impact on the financial position or results of the Group.

22. 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 (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 2020, there were seven projects on hand with total contract sum amounting to approximately HK\$438.0 million. Three projects are expected to be completed in the forthcoming financial year. Subsequent to the Period end, the Group was awarded one foundation project with contract sum of approximately HK\$32.4 million.

FUTURE PROSPECTS

The sudden outbreak and rapid development of COVID-19 epidemic (the “**Epidemic**”) since early 2020 has exerted further pressure on the sluggish growth of various industries caused by the social movements in 2019 in Hong Kong, and the construction industry being no exception. In view of containing the spread of COVID-19, a wide range of enhanced precautionary measures have been implemented by the government, including but not limited to travel restrictions and compulsory quarantine requirements, which leads to an inevitable decline in business activities. Accordingly, supply chains have been disrupted, workforce mobility is reduced and business operations have been restricted, causing disruption on the construction schedule of the Group’s projects. The Group is of the view that the negative impacts brought by Epidemic would sustain and be dependent on the outcome of various preventive measures and the duration of the Epidemic.

The Group expects that forthcoming year will remain challenging to the Group’s business due to the intense competition in the construction industry, shortage of skilled labour and rising construction costs coupled with the anticipated downturn of economy in Hong Kong and unpredictable future development of the Epidemic. The Group will continue to closely monitor the market development and evaluate the financial impact of the Epidemic on the Group’s performance.

Despite the challenges ahead, the Directors believe that the Government's long term policies for investing in large scale infrastructure projects and increasing land supply to public and private sectors will favour the demand for the Group's business. The Group is committed to capturing new business opportunities to broaden its source of revenue and to enhance its financial performance. On 14 October 2020, the Group has entered into a memorandum of understanding ("MOU") with a potential vendor. Pursuant to the MOU, the Group intends to acquire part of the issued share capital in Mianyang Chiyuan Construction Limited (綿陽馳遠置業有限公司), a company incorporated in the People's Republic of China (the "PRC") and is principally engaged in construction and building projects and municipal construction projects in the PRC in order to diversify the Group's business in the PRC.

Meanwhile, the Group will strive to minimize the adverse impacts by tightening the costs, strengthening the manpower, enhancing information technology, improving construction workflow to reduce project risk and uncertainty on the existing projects and ensure capital sufficiency of the Group for strengthening organizational resilience. For the time being, the Group's construction projects on hand are in an ongoing progress and the Group did not expect any shortages or difficulties in the supply of labour or materials in the immediate future.

Looking ahead, despite the keen competition in the construction industry and deteriorating economic climate, the Board believes that the listing status of the Group enhances the Group's reputation and competitive edge in the construction industry. The Group will continue to adhere to its business strategy to seek various business potential opportunities so as to create long term sustainable value for the Company and its shareholders.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Period was approximately HK\$125,466,000 (six months ended 30 September 2019: approximately HK\$146,858,000), representing a decrease of approximately HK\$21,392,000, or 14.6% over the six months ended 30 September 2019. The decline in our revenue was mainly attributable to the decrease in awards of project due to the negative effects arising from social events, political disputes and the overall economic downturn in Hong Kong.

Cost of services

For the Period, the cost of services amounted to HK\$133,313,000, representing a decrease of approximately HK\$11,472,000, or 7.9% from approximately HK\$144,785,000 for the six months ended 30 September 2019. The decrease in cost of services was mainly due to the decline in revenue for the Period.

Gross (Loss)/Profit and Gross (Loss)/Profit Margin

The Group's gross loss amounted to approximately HK\$7,847,000 for the Period, compared to a profit of approximately HK\$2,073,000 for the six months ended 30 September 2019. The Group's gross loss margin during the Period was approximately 6.3% (six months ended 30 September 2019: gross profit margin approximately 1.4%).

The decline in gross profit margin was mainly due to: (i) decrease in gross profit margin of the newly tendered foundation construction works projects of the Group during the Period as a result of the increasing competition in the market and the lower bidding prices on the new tenders; and (ii) increase in direct costs during the Period.

Administrative Expenses

The Group's administrative expenses for the Period were approximately HK\$16,085,000 (for the six months ended 30 September 2019: approximately HK\$13,199,000), representing an increase of approximately HK\$2,886,000, or 21.9% over the corresponding period in 2019. This was mainly due to the increase in provision of impairment loss on contract assets during the Period.

Income Tax

No provision for Hong Kong Profits Tax has been provided as the Group had no assessable profits for the Period (for the six months ended 30 September 2019: nil).

Net (Loss)/Profit for the Period

For the Period, the Group recorded a net loss of approximately HK\$15,484,000 (net profit for the six months ended 30 September 2019: approximately HK\$1,101,000).

Liquidity, Financial Resources and Capital Structure

As at 30 September 2020, the Group had bank balances of approximately HK\$17,449,000 (as at 31 March 2020: approximately HK\$23,044,000). The interest-bearing debts of the Group as at 30 September 2020 was approximately HK\$17,850,000 (as at 31 March 2020: approximately HK\$8,795,000). 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 2020 was approximately 11.6% (as at 31 March 2020: approximately 5.2%), as a result of the increase in bank loan during the Period.

Pledge of Assets

As at 30 September 2020, banking facilities were secured by the Group's bank deposits amounting to approximately HK\$20,689,000 (as at 31 March 2020: HK\$20,689,000).

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 investment 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.

Employees and Remuneration Policy

As at 30 September 2020, the Group employed 191 employees. Total remuneration costs including Directors' emoluments for the Period, amounted to approximately HK\$37,249,000 (for the six months ended 30 September 2019: approximately HK\$24,167,000). 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

The Group had no capital commitments as at 30 September 2020 (as at 31 March 2020: Nil).

Contingent Liabilities

As at 30 September 2020, the Group did not have any significant contingent liabilities (as at 31 March 2020: 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>(Note)</i> <i>HK\$'000</i>
Purchase of machinery and equipment	67,048	67,048	–
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>95,325</u>	<u>–</u>

Note:

The amount of the net proceeds of approximately HK\$95.3 million was fully utilized as at the date of this announcement.

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 2020.

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 2020 and up to the date of this announcement has been stated in the paragraphs under 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, 26 November 2020

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.